UMTSHEZI MUNICIPALITY

DRAFT ANNUAL REPORT

2013/2014

INDEX

MAYORS FOREWORD

"What counts in life is not the mere fact that we have lived. It is what difference we have made to the lives of others that will determine the significance of the life we lead," Dr. Nelson Mandela during the 90th Birthday Celebration of Tata Walter Sisulu, May 18th, 2002. Their legacy remains with us.

It is my sincere and humble wish in these three years in Administration in the UMtshezi Local Municipality to present the Annual Report of 2013/2014 with honour to visible progress across-the-board as tabled in the content.

As we have committed ourselves in the year 2011 that; "By 2016, UMtshezi Municipality will be a champion of sustainable growth with the aim of building better communities", we are still on track as we match-up with the District Municipality with the following;

The Integrated Development Plan - IDP, Inter-governmental Relations - IGR, Government Communication and Information System – GCIS including a number of other relations.

Currently, the two Municipalities; UMtshezi and Imbabazane are in a process of amalgamation and by now making progress to form one greater Municipality which is expected to serve the entire population of UMtshezi and get rid of borderlines.

UMtshezi Municipality area lies amidst the rolling foothills of the Drakensburg Mountains under the shadow of the sleeping Giant's Castle and embraces the town of Estcourt.

It is situated on the main electrified railways line between Durban and Johannesburg. It is 1, 167 metres above sea-level, 483 kilometres from Johannesburg and 225 kilometres from Durban. The population is comprised of approximately 83, 153. Black Africans 90.2% Coloured 1.4%, Indians 5.8%, White 2.3% and Other 0, 3%.

UMtshezi and its town Estcourt shares some of the unique routes such as Midlands Meander, Battlefield Route, and the unsung hero "King Langalibalele Pass" dubbed as Drakensburg World Heritage Site transit route. UMtshezi has seen many armies' skirmishes across the land, however, military history is not only what it offers, we also practice conservation in nature reserves and host some of the great wildlife the country has to offer.

UMtshezi is also linked to the international world in cross border projects from the Nestle Company (SA) producing coffee, Eskort Beacon Factory, Masonite (Africa) supply timber, Glamosa with Mosaic Tiles and Glass-wear. There are a number of other smaller factories such as the Narrowtex producing car seatbelts, Dragon Engineering and others.

In small town rehabilitation program; we have established 20-Weneen Market stalls, a new modern Taxi Rank and we have also attracted investors such as OK Wholesaler in Weenen, Shoprite in Estcourt, Spar, Pick n 'Pay stores and our local store, the Macksons Food zone.

We have a good viable local economic growth such as vegetable and fruits from Weenen. It is without any fear that we can compare ourselves with a number of large international and national companies as we are still mounting in production.

However, unemployment is still a big challenge. Even so, adding value to our youth programmes; together with the National Youth Development Agency (NYDA), we have set off a youth development programme on various skills; the Expanded Public Works Programme – EPWP - also contributing as a tool to fight boredom, criminal activities and other social ills in the community(s).

Our successes are based on the allocated budget from the Provincial Treasury; total operating grants equals to R457 780 00 and total capital grants stand at R286 150 00 which give us an overall of R7, 439,300. Our challenges are caused by incompetent consultants who do not evaluate projects correctly and in a long run variation has to be made.

To add force to our service deliver; there are eight Yellow Metal Equipment's; a roller, one TLB, four tipper trucks, one grader and excavator. Our Weenen road projects are implemented as per IDP strategic objectives.

To improve service delivery we have set-up a program of our Yellow Metal Equipment's to rotate according to all nine Wards, spending a maximum of one month either grading the roads, building small bridges, unblocking of storm water drains.

Our challenges are based on lack of service delivery on water projects where people are in dire-need of clean drinking water. This project is spearheaded by the uThukela District Municipality.

We have used the following to improve public participation and accountability; advertising our meetings in the local media, loud hailing and councillors Ward meetings to inform the community about the upcoming events.

The municipality has conducted five (5) IDP/Budget Roadshows successfully Out of nine (9) ward committees, only seven (7) are functional and submitted monthly reports to the municipality.

In practice, this is a sign of good governance and leadership skills from a tireless performing administration as we have set-up goals and values, abide by the entire South Africa's laws on local governance and parallel to the Corporate Governance and Traditional Affairs' guidelines on the Municipalities in the country.

The National and Provincial Treasurers including Cogta have been critical as supervisors giving us direction in order to ensure that there are no cases of irregular and wasteful expenditure which may lead to negative audit outcomes.

As a local government in the Midlands, we have managed to accomplish our first mission of installing electricity to the people of Rensburgdrift (eSgodlweni) a semi-rural area in Estcourt after 17-years without electricity.

UMtshezi have managed to organise together with the Department of Education and Transport a scholar transport for Mngwenya, kwaMatshezi, kwaMshayazafe, kwaMadondo and eMabhanoyini for the pupils in these areas.

We are in partnership with the NGOs; Meals on Wheels which help the less fortunate families with food and the Al-Imdaad Foundation also assisting in social relief programmes.

The Intermodal Taxi Rank in the Estcourt city centre is still under construction as it expected to facelift the image of our town and gives dignity and respect to our people. The project has created more employment to the local people and expected to be completed in November this year.

Our roads are full of potholes. Their lifespan have reached the stage of the entire city compelled to receive a thorough roads rehabilitation and reconstruction programme. More funds are needed for the uMtshezi Municipality to overcome these challenges as it will be clearly outlined in the departmental comprehensive reports.

In conclusion, our System is precisely following each and every word of encouragement from National, Provincial, District and local governments advises on service delivery. "Together; lets' take South Africa Forward".

CLLR. B.D. DLAMINI
The HONOURABLE MAYOR

MUNICIPAL MANAGER'S FOREWORD

As the Accounting Officer of Umtshezi Municipality, I confirm that the 2013/2014 annual report has been compiled in line with the Local Government Municipal System Act 32 of 2000 and the Local Government Municipal Finance Management Act 56 of 2003.

The 2013/2014 financial year has been a very difficult year due the following reasons:

1. **Resignation of the Chief Financial Officer.**
2. **Resignation of the Director: Technical Services.**
3. **Resignation of the SCM Manager**
4. **Losing our clean audit status.**

In November 2013, we appointed a new Chief Financial Officer, Mr MJ Zulu, and he has done a remarkable job in turning the finance section around. We have, also, filled many crucial posts which were vacant in the finance section. This has taken the load off many employees within the Finance section who had to assist with many other duties that were assigned to them.

Losing our clean audit status was a major disappointment to Umtshezi Municipality however our financial situation is stable and we are doing our best to achieve our clean audit status once again. We have also taken a loan from ABSA bank to purchase yellow equipment to assist with the fastracking of service delivery. Umtshezi Municipality consists of 9 wards with 17 Councillors and 1 Inkosi. All municipal wards have established ward committees, which meet regularly with the community members to discuss community needs. The Municipality has also organized IDP/Budget roadshows which are attended by the communities.

Our service delivery highlights for the 2013/2014 financial year are:
1. **Opening of the Weenen Market Stalls**
2. **Electrification of Rensburgdrift Phase 2**
3. **Upgrade of the Main Substation 57**
4. **Upgrade of the Wembezi Substation**
5. **Purchasing of Yellow Equipment**
6. **Employment of 38 employees**
7. **Enhancement of the EPWP programme**

Our major challenge to date is still the rehabilitation of the roads due to the ageing infrastructure which are causing many potholes on our roads.
I am confident that once our Director: Technical Services has been appointed, we will overcome that hurdle. A maintenance plan will be developed in order for the roads to be repaired and maintained.

We are also planning for the merger between Imbabazane and Umtshezi Municipality in the year 2016. A Change Management Committee (CMC) has been formed to facilitate the amalgamation of these two municipalities.

Finally, I would like to thank the Mayor, Deputy Mayor, Speaker, Council and the entire Municipal Staff for their valued contribution towards service delivery within the municipality. Working as a team, can accomplish anything.

PN NJOKO
MUNICIPAL MANAGER

Municipal Powers and Functions

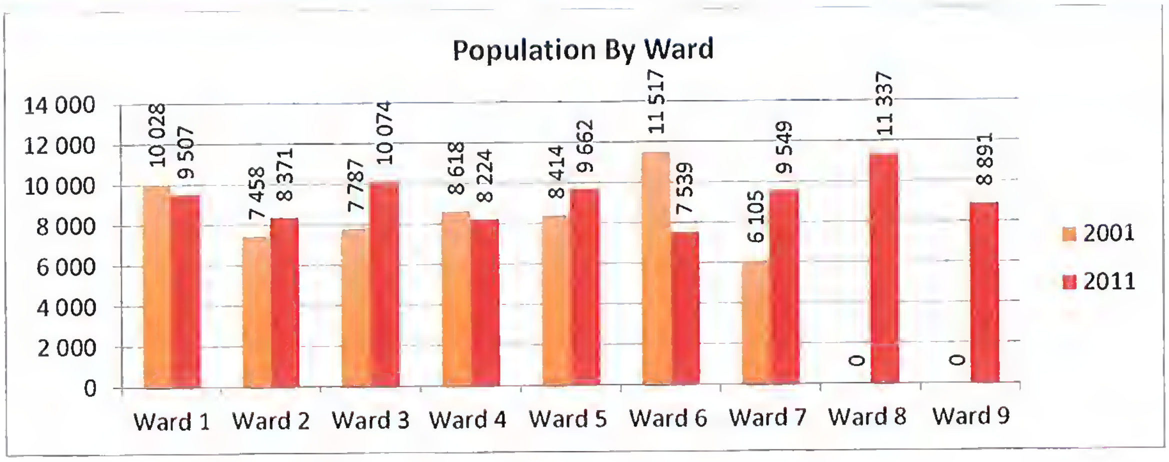
Umtshezi Municipal provides some of the following services. Please refer to the Appendices to view the full powers and functions that the Municipality has to offer.

1. **Electricity**
2. **Fire**
3. **Refuse Removal**
4. **Waste Disposal**
5. **Library Services**
6. **Traffic Services**

Population

The 2011 Census data estimated that the total population of Umtshezi Municipality at 83 907 individuals. It has the smallest population within the uThukela District and experienced a population growth rate of 3.25% between 2001 and 2011. The uMtshezi population size in 2011 accounts for approximately 12.4% of the overall districts population of 668 848 people. The increasing population could be attributed by amongst others inward migration of people moving into uMtshezi from other neighbouring municipalities perhaps in search of better living standards and greener pastures.

Municipality	Wards	Population		Population Growth (% p.a.)
		2001	2011	2001-2011
DC23: UThukela	73	657 736	668 848	0.17
KZN234: Umtshezi	9	60 087	83 153	3.25
KZN236: Imbabazane	13	120 622	113 073	-0.65
KZN 233: Indaka	10	113 644	101 557	-0.97
KZN 232: Emnambithi	27	225 459	237 437	0.52
KZN 235: Okhahlamba	14	137 525	151 441	-0.43



The Municipality has 19 252 households, spread unevenly over nine (9) municipal wards. The majority of the people are concentrated in urban areas (±29 934 – wards 3 and 4) and in farming areas (±19 950), but there are a few patches of high-density settlements within informal areas, hence, there have been Housing projects running to date in different wards of the municipality and this has contributed to the growth rate. And the total number of new households is 1688 households and are distributed as follows: Colita (301 households); Wembezi A (515 households); Wembezi D (800 households); Kwanobamba Phase 2 (72 households).
The composition of the population is dominated by black females, while the fmeale population also dominates the population numbers on average.

Population group by gender

	Male	Female	Total	Percentage
Black	34575	40451	75026	90.23%
Coloured	569	568	1137	1.37%
Indian or Asian	2386	2449	4835	5.80%
White	949	959	1908	2.30%
Other	136	111	247	0.30%
Total	**38 615**	**44 538**	**83 153**	**100%**

Source: Census 2011

AGE BREAKDOWN

The age breakdown determines the kind of economic activities required within the varying wards. Different age groups have different economic needs and different spending patterns. Approximately 71% of the total population in Umtshezi Municipality area is below the age of 35. Children, below the pre-school enrolment age (that is, 0-4 years of age), constitute 12% of the population, with those who are at school-going age, including pre-school constitute 24% of the entire Municipal population. Approximately 3% of the total population is over the age of 65 years. This scenario indicates the high dependency ratio incident within the municipal area, an event that might have a negative impact on the overall socio-economic development of the area as it impedes on the ability of the individuals to save and invest.

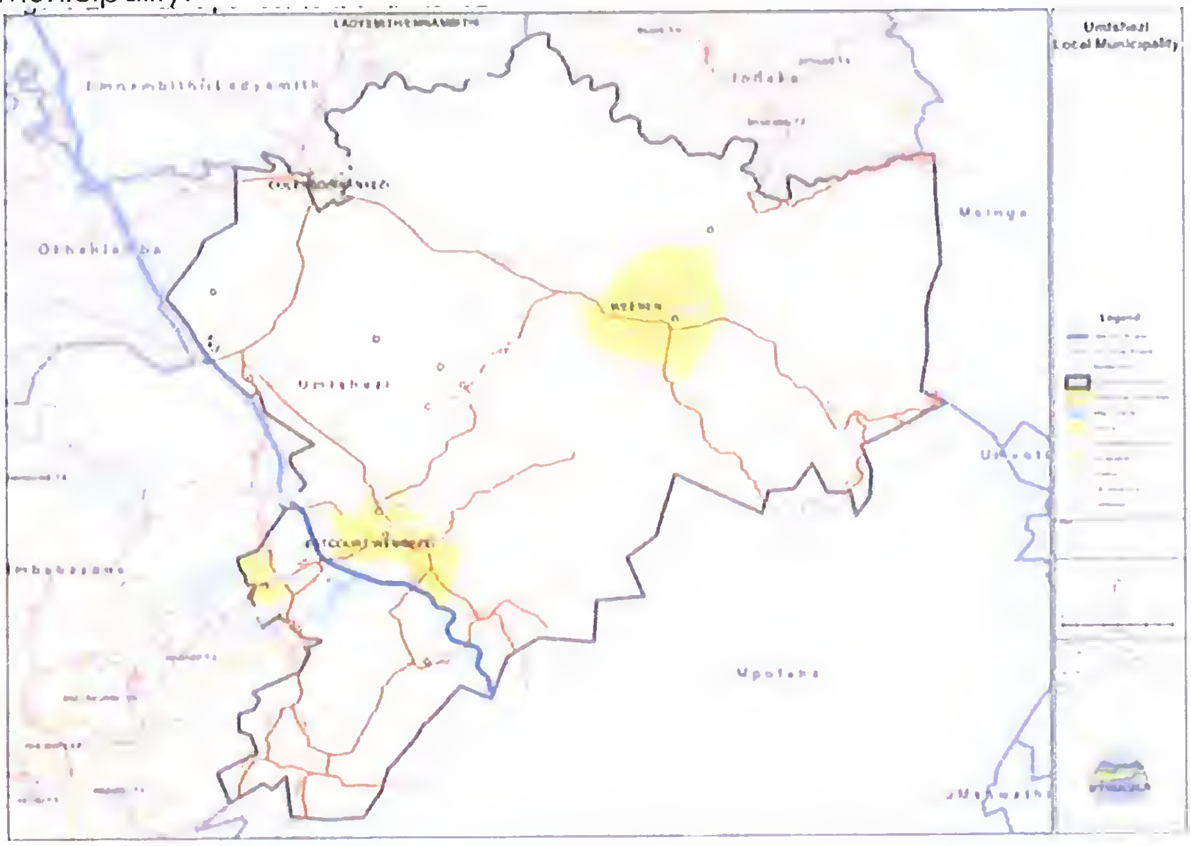
Population by Age

AGE	Population		Percentage %	
	Male	Female	Male	Female
0 – 4	5109	5014	13 %	11%
5 – 9	4.625	4.624	12%	10%
10-14	4.519	4.679	11%	10%
15-19	4.217	4.466	11%	10%
20-24	4.053	4.142	11%	9%
25-29	3.564	4.072	9%	9%
30-34	2.600	3.061	6%	7%
35-39	2.221	2.828	6%	6%
40-44	1.829	2.412	5%	5%
45-49	1.594	2.330	4%	5%
50-54	1.210	1.662	3%	3%
55-59	1.057	1.504	3%	3%
60-64	876	1.407	3%	3%
65-69	466	801	2%	2%
70-74	336	613	1%	1%
75-79	150	360	0%	1%
80-84	102	312	0%	0%
85+	87	251	0%	0%
TOTAL	38615	44538	100%	100%

The table above (age breakdown) indicates that the largest age group in the municipality is between the ages of 15-34 constituting 37% of the entire population. This is followed by ages 35-64 (25%) and by 5-14 age group (23%). This trend obliges the provincial and national government (implementation) and the local municipality (planning) to allocate a large percentage of their budget to social development facilities such as schools, child grant, pension and clinics. However, capital facilities such as roads, water and electricity infrastructure and municipal marketing activities require the municipal attention.

Environmental Overview

uMtshezi Local Municipality is located within the midlands in the South-Western quadrant of uThukela District Municipality and bordered in the north by Indaka and Emnambithi Local Municipalities, in the west by Okhahlamba and Imbabazane local municipalities, and in the south by Mpofana Local Municipality.



Demographic Profile

Although the SDF has a clear spatial focus, it is critically important to locate it within the broader development profile of the Municipality. Essentially, this refers to a broad overview of the demographic, social economic trends, opportunities and challenges. Umtshezi Municipality population is estimated at 83154 individuals. This marks an increase from the situation in 2001.The majority of the population is African constituting 83.7% of the total population. The minority racial groups constitute 16.28% of the total. Population growth is expected to continue to grow albeit at a much slower rate compared to the last census decade. Areas such as Wembezi and Estcourt are likely to attract most of the population growth due to their strategic location.

UMTSHEZI MUNICIPAL VISION

"BY 2016 UMTSHEZI MUNICIPALITY WILL BE THE CHAMPION OF A SUSTAINABLE GROWTH WITH AN AIM OF BUILDING BETTER COMMUNITIES."

MISSION STATEMENT

Umtshezi Municipality in partnership with other stakeholders is committed to:

- Provide an enabling economic and social development environment;
- Provide a robust plan for the vulnerable, including youth, physically challenged, gender and aged persons;
- Work co-operatively to unlock resources from other spheres of Government and the Private Sector;
- Continuously provide services in an equitable manner taking Batho Pele Principles into cognizance;
- Establish and maintain community networks that promote healthy engagements between the Municipality and other stakeholders;
- Strive to facilitate the provision of basic services; and
- Develop Umtshezi in a sustainable manner that does not compromise current and future generations.

Service Delivery Overview

Umtshezi Municipality has procured yellow equipment to fastrack service delivery in all Municipal Areas.

Financial Health Overview

The municipality has achieved a surplus of R8.5million in its operations in the current financial year, this is a great improvement from the deficit of R0.3million in the prior year.

Organisational Development Overview

During the 2013/2014 financial year, many employees resigned due to greener pastures however these posts were filled during the year.

Auditor General's Report

In the 2012/2013 financial year, a qualified opinion was received from the Auditor General.

Statutory Annual Report Process

The annual report was compiled in line with the Local Government Municipal Systems Act 32 of 2000, The Local Government Municipal Finance Management Act 56 of 2003 and Circular 63.

CHAPTER TWO: GOVERNANCE

POLITICAL AND ADMINISTRATIVE GOVERNANCE

POLITICAL GOVERNANCE

Umtshezi Municipality (KZN234) is an ANC led Council from 2011local government. All internal structures are fully functional which help the council to fully perform its oversight role.

Our Council is run professionally and all decisions are taken on an informed system based on legal prescripts guarding the institution.

During the 2013/2014 financial year, Councillor DM Vahed, had passed away.

Members of Full Council

Members of Full Council

U Chetty
BS Dladla
BD Dlamini
TG Duma
E Lite
EM Majola
SM Mlambo
CJS Nunes
B Sulieman
FN Mnkwanyane
BA Dlamini
TC Dubazane
RP Gericke
SD Magubane
ME Mchunu
SC Mlele
KA Vilakazi
Z Zwane

Members of Executive Committee (Exco)

BD Dlamini Chairperson
BA Dlamini
EM Majola

EXCO MEETINGS HELD:

COUNCILLOR	NO OF MEETINGS	NO OF MEETINGS	REASON FOR NON ATTENDANCE
DB Dlamini	14	14	None
BA Dlamini	14	12	Another Commitment
EM Majola	14	14	None

Council Members	Full Time / Part Time FT/PT	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance %
U Chetty	PT	• Safety/Security • MPAC	Ward 4 (ANC)	100%
BS Dladla	PT	• Sports, Gender, Vulnerable Groups, Health, Youth and Education • Safety/Security • Local Labour Forum	Ward 1 (ANC)	100%
BA Dlamini	FT	• Exco • IDP, Finance, LED and Tourism Committee • Rules Committee	Ward 2	81%
DB Dlamini	FT	• EXCO • IDP, Finance, LED and Tourism Committee • Infrastructure, Housing, Town Planning, Rural Development and Agrarian Reform Committee	Ward 3	100%
TC Dubazane	PT	• Infrastructure, Housing, Town Planning, Rural Development and Agrarian Reform Committee • Human Resources and Transformation • Municipal Public Accounts Committee	Ward 7 (ANC)	75%
TC Duma	PT	• Sports, Gender, Vulnerable Groups, Health, Youth and Education Committee • Local Labour Forum	Proportional (NFP)	88%
RP Gericke	PT	• Rules Committee • Municipal Public Accounts Committee	Proportional (DA)	88%

Council Members	Full Time / Part Time FT/PT	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance %
E Lite	PT	• Infrastructure, Housing, Town Planning, Rural Development and Agrarian Reform Committee • IDP, Finance, LED and Tourism Committee • Sports, Gender, Vulnerable Groups, Health, Youth and Education Committee • Human Resources and Transformation • Local Labour Forum	Proportional (ANC)	100%
SD Magubane	PT	• Sports, Gender, Vulnerable Groups, Health, Youth and Education Committee • Human Resources and Transformation • Local Labour Forum • MPAC	Ward 3 (ANC)	100%
EM Majola	PT	• EXCO • Sports, Gender, Vulnerable Groups, Health, Youth and Education Committee • Rules Committee	Proportional (IFP)	94%
ME Mchunu	PT		Proportional (IFP)	100%
SM Mlambo	PT	• IDP, Finance, LED and Tourism Committee	Ward 5 (IFP)	69%
SC Mlele	PT	• Infrastructure, Housing, Town Planning, Rural Development and Agrarian Reform Committee • Human Resources and Transformation • Safety/Security Committee • MPAC	Proportional (NFP)	81%

Council Members	Full Time / Part Time FT/PT	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance %
CJS Nunes	FT	• Rules Committee	Proportional (ANC)	100%
B Sulieman	PT	• Infrastructure, Housing, Town Planning, Rural Development and Agrarian Reform Committee • IDP, Finance, LED and Tourism Committee • Safety/Security Committee	Ward 6 (ANC)	94%
DM Vahed	FT	• Infrastructure, Housing, Town Planning, Rural Development and Agrarian Reform Committee • IDP, Finance, LED and Tourism Committee • Human Resources and Transformation • Safety/Security Committee • Rules Committee • Municipal Public Accounts Committee	Ward 4 (ANC)	10%
KA Vilakazi	PT	• Human Resources and Transformation	Proportional (IFP)	81%
Z Zwane	PT	• Sports, Gender, Vulnerable Groups, Health, Youth and Education Committee.	Ward 8 (ANC)	94%
Inkosi FM Mnkwanyane	PT		Traditional Leadership	21%

ADMINISTRATIVE GOVERNANCE

During the beginning of the 2013/2014 financial year, our CFO had resigned, thereafter a new CFO was appointed in November 2013. In February 2014, the Director Technical Services had resigned and the position is currently vacant.

Management of Council

Municipal Manager	:	PN Njoko
Chief Financial Officer	:	MJ Zulu
Director: Corporate Services	:	HB Chotoo
Director: PECS	:	EH Dladla
Director: Technical Services	:	Vacant
Senior Manager: Electrical	:	C Moodley
Manager: Mayor's Office	:	M Hadebe

Internal Audit Function

The internal audit function is outsourced to PricewaterHouse Coopers.

Audit Committee Members

An audit committee which comprises of three members, namely, Mr B van Der Merwe (Chairperson),Mr C Rautenbach and Mr Z Zulu, has been established and is fully functional.

PERFORMANCE AUDIT COMMITTEE MEETINGS HELD : FINANCIAL YEAR ENDED 3013/2014			
Councillor Name	No of meetings held	No of meetings attended	Reasons for non-attendance
B Van Der Merwe	4	4	
C Rautenbach	4	3	Another Commitment
Z Zulu	4	3	Another Commitment

AUDIT COMMITTEE MEETINGS HELD : FINANCIAL YEAR ENDED 3013/2014			
Councillor Name	No of meetings held	No of meetings attended	Reasons for non-attendance
B Van Der Merwe	6	6	
C Rautenbach	6	5	Another Commitment
Z Zulu	6	3	Another Commitment

Inter- Government Relations

The municipality participates in some of the District IGR forums, which are functional. The Umtshezi Municipality also participates and fully co-operates in the activities of other spheres of Government. The IGR structure include five local municipalities which are: Emnambithi /Ladysmith, Indaka, Imbabazane, Okhahlamba and Umtshezi municipalities and lastly the UThukela District Municipality.

Meeting Name	Frequency of meetings
1. District Mayors Forum	Twice per annum
2. District Municipal Managers Forum	Twice per annum
3. District Municipal Planning Forum	Twice per annum
4. District CFOs Forum	Twice per annum
5. District Infrastructure Forum	Three times per annum

PUBLIC ACCOUNTABILITY AND PARTICIPATION

Public Meetings

The Councillors conducted ward community meetings with their ward committees and communities at least once a quarter and all reports are submitted to the Speakers Office for information. The Section 57 employees also attended one public meeting and the Municipal Manager also conducted two Stakeholders meetings.

IDP Participation and Alignment

The municipality formed part of the District IDP Framework under auspices of the uThukela District Municipality. The Municipal Systems Act No.32 of 2000 regulates that each Municipality must develop an IDP to guide development implementation /service delivery of the municipality and that municipalities must consult local communities regarding their needs. Hence the uMtshezi Municipality has developed its IDP in consultation with all communities using ward based community meetings called by the ward councillor assisted by the ward committees, Five (5) IDP /Budget Izimbizos were also called and used IDP RF meetings also attended by sector departments and NGO's and IDP was advertised for 21 days in order to solicit public comments.

CORPORATE GOVERNANCE

Risk Management

Section 62 (1) (c0 (i) of the Municipal Finance Management Act, No.56 of 2003 requires that the Accounting Officer of a municipality to take reasonable steps to ensure that the municipality has maintained effective, efficient and transparent financial systems and risk management and internal control. It is for this reason the municipality has developed and adopted the Anti- Corruption Strategy/Fraud Prevention Plan as mentioned below.

Anti-Corruption /Fraud

The municipality has developed the Anti- Corruption Strategy / fraud Prevention Plan with the aim of preventing and combating corruption.

SCM

This department has developed SCM Policy aligned with Preferential Procurement Policy to ensure that proper procedures are adhered to when it comes to awarding bids and quotations and mitigate the situations when need arises . It consist of the SCM Manager, SCM Officer, SCM clerk and three finance interns.

By-Laws

On the 30th October 2013 the municipality adopted 12 by-laws.

ADOPTED BY-LAWS BY 30 OCTOBER 2013	
1. Public Libraries	8.Public Amenities
2. Public Roads	9. Parking
3. Property Encroachments	10. Pound
4. Stormwater Management	11. Fire Safety & Nuisance
5. Cemeteries	12. Street Trading
6. Keeping of Birds & Animals	
7. Pollution Control	

Web-Site

The Municipal web-site is www.umtshezi.co.za

Public Satisfaction on Municipal Services

All complaints directed to the Municipality are addressed immediately.

CHAPTER THREE: SERVICE DELIVERY PERFORMANCE

BASIC SERVICES

Water Provision

The supply of water is provided by the District Municipality, Uthukela District Municipality.

Waste Water (Sanitation) Provision

This function is also supplied by the District Municipality, Uthukela District Municipality.

Electricity

Electricity supply in Umtshezi is very stable and very reliable, however due to aging infrastructure, upgrades need to be done, majority of the equipment and cables are older than 40 years, although maintenance is done regularly, these equipment undergo stress and aging and need upgrading, hence the upgrade of Sub 57 which sees two new 20 MVA transformers being installed, a 3rd transformer and 33 000 volt circuit breaker will need to be purchased for the upgrade to be completed,

Wembezi sub is also being upgraded since we have reached our maximum capacity on the Eskom transformer, Esigodlweni has about 750 connections but due to limited funding received R 4,5 Million and R 3 million respectively, only 316 and then 200 connections could be done, further funding is required to completed the remaining connections, streetlights rain a problem due to cable theft and poles being cut, LED fittings cost about R5000 per fitting, however we are procuring different globes that are energy efficient so as to better the lighting and save electricity, these globes are made outside South Africa and have 24 week delivery period, a vast improvement has been noticed where these globes have been installed.

Waste Management

Solid waste is a local municipal function. The landfill site is licensed under the permit from the Department of Environmental Affairs and Agriculture .Refuse removal services is provided to 3681 households.

Waste collection is cleared from the residential areas on a weekly basis, thereby households take out their refuse bags only on waste collection days.

The municipality collect refuse bi-weekly from all categories of businesses e.g. food shops (Pick'n Pay, Spar, Macksons, Checkers /Shoprite), clothing outlets, tourism establishments and manufacturing industries.

Housing

The projects below are part of the housing projects for Umtshezi Municipality.

PROJECT NAME	FUNDER	VALUE	STATUS
Rensbergdrift	Dept. of Human Settlements	R77 868 000.00	Awaiting Tranche 1 approval
Mimosadale	Dept. of Human Settlements	R77 868 000.00	Tranche 1 approved. Busy with Tranche 2 – end June 2013
Owl and Elephant	Dept. of Human settlements	R41 114 000,00	Implementing agent appointed – Tranche 1 end April 2013
Msobotsheni	Dept. of Human settlements	R41 114 000,00	Implementing agent appointed – Tranche 1 April 2013
Cornfields	Dept. of Human settlements	R164 456 000,00	IA appointed – Conditional approval – end March 2013
Paapkuilsfontein	Dept. of Human settlements	No budget yet	Awaiting for acquisition of land to be sorted out by DoH
Mshayazafe	Dept. of Human settlements	No budget yet	Waiting for authority to advertise project
Wembezi A Section	Dept. of Human settlements	R75m	Project enrolled for rectification – proposed budget R75m
Kwanobamba 1&2	Dept. of Human settlements	No budget yet	Project enrolled for rectification – waiting for **NHBRC** report
Nhlawe	Dept. of Human settlements	No budget yet	

Free Basic Services

Council has revised and adopted the Indigent Policy. This policy allows the provision of indigent support to households. The Municipality provided indigent support to 3382 consumers.

ROAD TRANSPORT

Our Civil department is currently repairing all the potholes in the Town due to the ageing infrastructure.

Below is the list of projects that were done by the Civil Department for the 2013/2014 financial year.

PROJECT	AMOUNT	STATUS	SOURCE OF FUNDING
Emabhalonini Creche	R 725 000.00	100%	MIG
Black Top Surface Colita	R 1 679 000.00	75%	MIG
Black Top Surface Estcourt	R 5 309 377.00	70%	MIG
Black Surface Wembezi	R 7 447 623.00	98%	MIG

PLANNING AND DEVELOPMENT

Planning

The Municipality with the department of Transport has begun the construction of the Intermodal facility situated in Weenen and in Town. These projects should be completed in the 2014/2015 financial year.

The Construction of the Market Stalls in Weenen was opened in May 2014.

Local Economic Development

The Municipality has a LED Component. The department has currently trained 63 SMME and 12 co-operatives with the assistance of the Department of Economic Development.

COMMUNITY AND SOCIAL SERVICES

Libraries, Archives, Museums, Galleries, Community Facilities, Other

The municipality has four (4) municipal libraries Escourt Library, Forderville Community Library, Wembezi Township Library and Weenen Community Library. The Department of Arts & Culture supply all the three libraries with reading material and computers (books). The book exchange is conducted once a week and four times a month. Each library has an average staff compliment of four staff that is the Chief Librarian, Librarian, Cybercad and General Assistant. All these libraries also receive support from the Department of Arts & Culture.

Museums

The municipality manage two museums that is Fort Dunfort and the Weenen Museum.

Cemeteries and Crematoriums'

The municipality has developed and adopted the Cemetery By-law. There are three (graveyard) cemeteries under the management of the municipality. They are Wembezi Cemetery, Escourt Cemetery and Weenen Cemetery. The cost per grave differs in terms of age is as follows:

1. **Infant burial (grave) - R889.20**
2. **Adult grave for 6 feet - R 1720,70**
3. **Adult grave for 8 feet - R2,473.80**

The municipality is responsible for digging the grave prior to the burial. The municipality does not have a crematorium.

Child Care facility

Child –care facilities are privately owned.

Aged Care facilities

The aged care facilities are also run and owned by private owners.

ENVIRONMENTAL PROTECTION

Environmental Protection

This is function located at uThukela District Municipality through the management of the District Management Areas (DMA) and furthermore the municipality is developing the Pollution Control Policy to minimise the gas emissions or air pollution within the municipal area.

Health

The clinics and the Ambulance Services are a responsibility of the Department of Health, however the municipality shared a good working relationship with the government departments since they also form part of our Local Aids Council and the IDP Representative Forum .Health Inspections are also performed by the uThukela District Municipality. The municipality has acquired the services of the HIV/AIDS Co-ordinator as from August 2013 to facilitate the co-ordination of HIV/AIDS related matters within the municipal area. The municipality has established the Sukuma Sakhe Programme. These activities are performed by the HIV/AIDS Co-ordinator.

SECURITY & SAFETY

Police

There are three Police Stations within Umtshezi Local Municipality area namely; Escourt, Wembezi and Weenen. The municipality form part of the Policing Forum that sits once a month and once quarter, combining all the three police stations.

FIRE

The municipality has adopted the Fire Safety and Nuisance By-law and has a Fire Services department which normally attends to all kinds of fire within the municipal area of jurisdiction. It has attended 50 veld fires and 10 domestic fires, all attended effectively .The turnaround time is 30 minutes. The municipality has also developed the Fire Response Plan.

Disaster Management

This function is allocated to UThukela District Municipality. The municipality would review the Disaster Management Framework in the new financial year of 2014/2015.

SPORTS & RECREATION

Sports and Recreation

There are three (3) sports fields and parks maintained by the municipality namely; Lombard park, Princess Park and one (1) at Khwezi Area.

CORPORATE MATTERS

HR Services

Human Resources both line staff and staff functions which support and give direction to other departments regarding Human Resources. Human Resources includes human resources planning, recruitment, selection and induction of newly appointed employees.

ICT

This section manages and maintain all Information Technology infrastructure of the UMtshezi Local Municipality and is currently operating with two (2) staff members. It is also in charge of servicing all municipal departments with computers and any related assistance required from time to time, in line with IT Disaster Recovery Plan /Framework. The IT Strategy is currently being developed in order to be aligned with the Patch Management Policy and IT Disaster Recovery Plan.

Property

The municipality has adopted the Property Encroachment By – Law to regulate the construction of houses in the area .The property development is managed by the Department of Planning, Economic and Community Services (PECS).

Legal

This function is a responsibility of the Department of Corporate Services and when required it is outsourced since we have not budgeted for a legal unit within Corporate Services.

Procurement services

Procurement of goods and services is done through the SCM Unit under the Department of Finance. It is managed by the SCM Manager with a staff compliment of four (4) Supply Chain Officers and five (5) Interns.

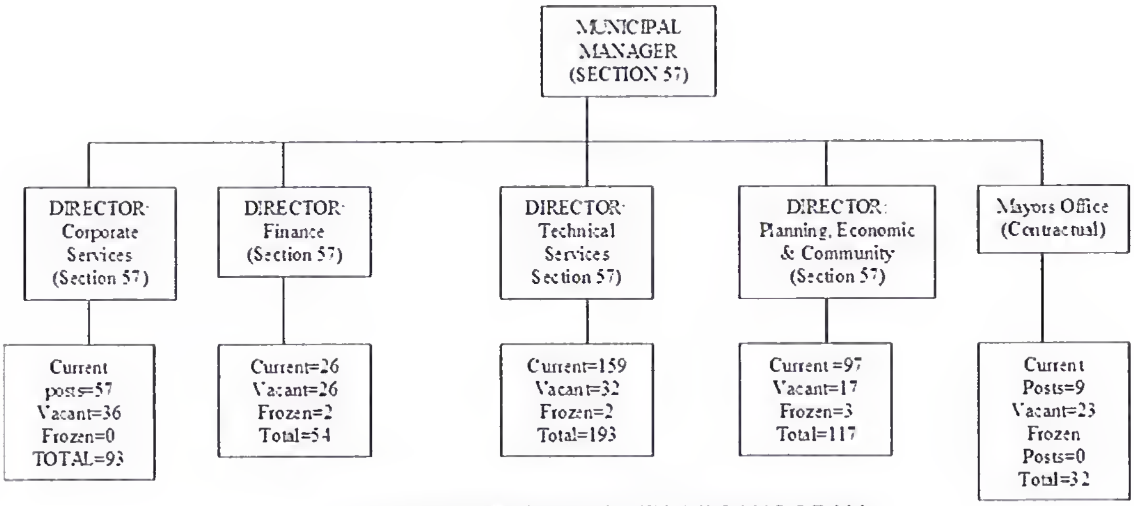
CHAPTER FOUR: ORGANISATIONAL DEVELOPMENT PERFORMANCE

INTRODUCTION TO THE MUNICIPAL PERSONNEL

Employee Totals, Turnover and Vacancies

The total number of employees are 371 with 133 vacant positions and staff turn-over is very low since all Section 54 and Section 56 positions have been filled. The employee expenditure for the 2013/2014 Financial Year is 69 million per annum.

Third Tier Administrative Structure



UMTSHEZI MUNICIPALITY ORGANOGRAM

Managing Municipal Workforce

The municipality has developed **twenty nine (29)** policies. The table below shows the list of policies, plans developed and to be developed /reviewed by the municipality.

HR Policies and Plans				
	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
1	Overtime	100%	100%	30/10/2013
2	Health & safety	100%	100%	30/10/2013
3	Code of Conduct for employees	100%	100%	Adopted
4	Delegations, Authorisation & Responsibility	100%	100%	23/07/2008
5	Disciplinary Code and Procedures	100%	100%	Adopted
6	Essential Services	100%	100%	Adopted
8	Employment Equity	100%	100%	06/10/2005
9	Code of Ethics	100%	100%	30/10/2013
10	Grievance Procedures	100%	100%	23/07/2008
11	HIV/AIDS	100%	100%	Adopted
12	Human Resource and Development	100%	100%	Adopted
13	Information Technology	100%	100%	Adopted
14	Acting Allowance	100%	100%	27 / 03/2014
15	Leave	100%	100%	23/07/2008
16	Occupational Health and Safety	100%	100%	23/07/2008
18	S& T	100%	100%	30/10/2013
19	Communication Strategy	100%	100%	31/07/2013
20	Official Working Hours and Overtime	100%	100%	23/07/2008

21	Leave	100%	100%	27/03/2014
22	Payroll Deductions	100%	100%	Adopted
23	Organisational Performance Management and Development Framework	100%	100%	Adopted
24	Recruitment, Selection and Appointments	100%	100%	23/07/2008
25	Remuneration Scales and Allowances	100%	100%	23/07/2008
26	Condolence	100%	100%	28/11/2014
27	Sexual Harassment	100%	100%	23/07/2008
28	Skills Development	100%	100%	13/06/2007
29	Smoking	100%	100%	13/06/2007

The Street trading By-Laws were updated and approved by the Council at its meeting held on 26 June 2013. The notice informing the public and calling for objections/submissions were placed in the local paper on 26 June 2013. The by-laws were also circulated to libraries and appear on the website. Presentations were presented to Ward Committee members at the IDP cluster meetings:

Newly Developed	Revised	Public Participation Conducted Prior to Adoption of By-Laws)	Dates of Public Participation
PUBLIC LIBRARIES		IN PROGRESS	ADVERTS (10/07/2012)
PUBLIC ROAD	STREET TRADING	IN PROGRESS	Adopted 26 June 2013
PROPERTY ENCROACHMENT	REVISED	DONE	30 / 10/2013
STORMWATER MANAGEMENT	REVISED	DONE	30/10/2013
CEMETERY & CREMATORIA	REVISED	DONE	30/10/2013
KEEPING OF BIRDS & ANIMALS	REVISED	DONE	30/10/2013
POLLUTION CONTROL	REVISED	DONE	30/10/2013
PUBLIC AMENITIES	REVISED	DONE	30 / 10/2014
PARKING	REVISED	DONE	30/10/2014
POUND	REVISED	DONE	30/10/2014
FIRE SAFETY	REVISED	DONE	30/10/2014
NUISANCES	REVISED	DONE	30/10/2014

There were no injuries on duty reported during 2013/2014 FY. There are 18 disciplinary cases to be concluded pending investigated and disciplinary hearings. The municipality did not pay any performance rewards particularly to Section 57 employees because the municipality did not have Performance Evaluation Panel in place. However, the municipality has since established the Municipal Evaluation Panel/committee in the first quarter of 2014/2015.The municipality has developed the Organisational Performance Management Framework and appointed the services of the PMS official to deal with all performance management matters.

CAPACITATING THE MUNICIPAL WORKFORCE

Skills Development & Training

The municipality has trained approximately 26 employees on relevant skills. The number include employees from the Finance, Corporate and PECS who were capacitated during the FY under review.

MANAGING THE WORKFORCE EXPENDITURE

There are 371 employees with the current employee expenditure of R69 million for 2013/ 2014, this is expected to grow due to the vacancy rate of 15%.

CHAPTER FIVE: FINANCIAL PERFORMANCE

STATEMENTS OF FINANCIAL PERFORMANCE

Description	Year 0											Year -1			
R thousands	Original Budget	Budget Adjustments (i.to s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.to s31 of the MFMA)	Virement (i.to Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Financial Performance															
Property rates	48 949	5 001	53 950			53 950	63 163		9 213	117%	129%				43 704
Service charges	186 137	(3 000)	183 137			183 137	175 220		(7 917)	96%	94%				163 355
Investment revenue	500	233	733			733	2 443		1 710	333%	489%				-
Transfers recognised - operational	39 040	282	39 322			39 322	40 546		1 224	103%	104%				36 202
Other own revenue	8 887	1 825	10 712			10 712	9 186		(1 526)	86%	103%				10 233
Total Revenue (excluding capital transfers and contributions)	283 514	4 341	287 855			287 855	290 558		2 703	101%	102%				253 494
Employee costs	64 015	4	64 019			64 019	71 117		7 098	111%	111%				62 101
Remuneration of councillors	5 286	456	5 742			5 742	5 037		(705)	88%	95%				4 601
Debt impairment	12 000	–	12 000			12 000	14 452		2 452	120%	120%				-
Depreciation & asset impairment	35 000	–	35 000			35 000	32 561		(2 439)	93%	93%				31 515
Finance charges	3 494	–	3 494			3 494	1 660		(1 834)	48%	48%				814
Materials and bulk purchases	151 303	(1 999)	149 304			149 304	142 604		(6 700)	96%	94%				138 188
Transfers and grants	7 069	–	7 069			7 069	1 967		(5 102)	28%	28%				1 165
Other expenditure	35 777	8 569	44 346			44 346	43 477		(869)	98%	122%				46 118
Total Expenditure	313 926	7 048	320 974			320 974	312 875		(8 099)	97%	100%				284 502
Surplus/(Deficit)	(30 412)	(2 707)	(33 119)			(33 119)	(22 318)		10 801	67%	73%				(31 008)
Transfers recognised - capital	23 161	17 925	41 086			41 086	30 866		(10 220)	75%	133%				30 691
Contributions recognised - capital & contribu	–	–	–			–									
Surplus/(Deficit) after capital transfers & contributions	(7 251)	15 218	7 967			7 967	8 548		581	107%	-118%				(317)
Share of surplus/ (deficit) of associate	–	–	–			–	–								
Surplus/(Deficit) for the year	(7 251)	15 218	7 967			7 967	8 548		581	107%	-118%				(317)
Capital expenditure & funds sources															
Capital expenditure	39 671	17 925	57 596												
Transfers recognised - capital	23 161	17 925	41 086			41 086	30 866		(10 220)	75%	133%				20 084
Public contributions & donations	–	–	–			–			–	#DIV/0!	#DIV/0!				
Borrowing	12 460	–	12 460			12 460			(12 460)	0%	0%				7 200
Internally generated funds	4 050	8 500	12 550			12 550			(12 550)	0%	0%				2 590
Total sources of capital funds	39 671	26 425	66 096			66 096			(66 096)	0%	0%				29 874
Cash flows															
Net cash from (used) operating	37 015	(38 828)	(1 813)			(1 813)	37 290		39 103						36 818
Net cash from (used) investing	(39 657)	(17 879)	(57 536)			(57 536)	(50 156)		7 380						(33 924)
Net cash from (used) financing	5 646	–	5 646			5 646	6 584		938						(2 737)
Cash/cash equivalents at the year end	15 482	(28 159)	(12 677)												13 523

GRANTS

Grant Performance						
						R' 000
Description	Year -1	Year 0			Year 0 Variance	
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
Operating Transfers and Grants						
National Government:	29 847	59 797	12 200	58 131		
Equitable share	27 547	33 196	–	33 196	100%	
Municipal Systems Improvement	800	890	–	888	100%	
Department of Water Affairs	–	–	–	–		
Levy replacement	–	–	–	–		
Finance Management Grant	1 500	1 550	–	1 550	100%	
EPWP Incentive	–	1 000	–	1 000	100%	
MIG	–	15 161	–	10 942	72%	
NDPG	–	–	–			
INEP	–	8 000	12 200	10 556	132%	87%
Provincial Government:	2 575	2 404	13 725	9 395		
Health subsidy	–	–	–	–		
Housing	–	–	–	–		
Ambulance subsidy	–	–	–	–		
Sports and Recreation	–	–	1 725	1 466		85%
Museum		286	–		0%	
Provincialisation of Libraries	1 413	1 878	–		0%	
Community Library Services		240	–		0%	
Small Town Rehabilitation	1 162	–	6 000	1 929		32%
Solar Street Lighting		–	6 000	6 000		100%
District Municipality:	–	–	–	–		
[insert description]						
Other grant providers:	–	–	–	–		
[insert description]						
Total Operating Transfers and Grants	32 422	62 201	25 925	67 526		

ASSET MANAGEMENT

The asset management unit is part of the finance department and is head by the Asset Manager. During the year, an Asset Management Clerk was appointed and an additional Finance Clerk was deployed to assist with fleet and insurance related matters. An intern was assigned to the Asset Management unit to gain the necessary exposure pertaining to all asset related matters.
I-Chain provided additional system related support and assisted in the general year end procedures including the asset verification process which was performed.
During the year, the Asset Management program (Asset Ware Manager) was upgraded, enabling accurate and proper asset management, utilizing the new up to date software.

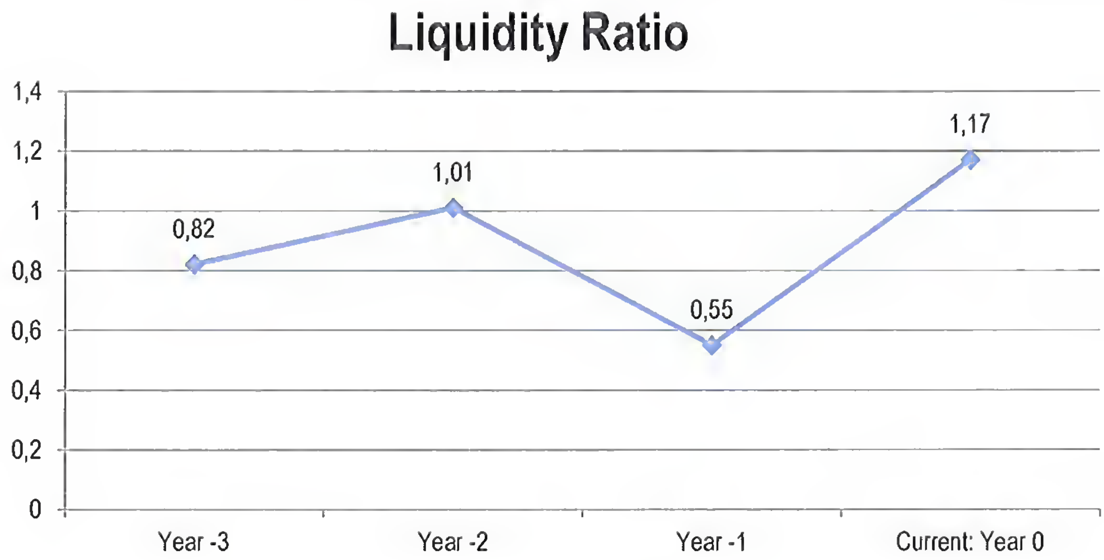
Tabulated below is a brief summary of the three most expensive assets procured during the financial year, and their treatment:

TREATMENT OF THE THREE MOST EXPENSIVE ASSETS ACQUIRED 2014				
Asset1				
Name	NEW LIEBHERR EXCAVATOR			
Description	EXCAVATOR			
Asset Type	PLANT/ MACHINERY			
Key Staff involved	P NDLOVU			
Staff Responsibilities	FOREMAN			
	Year-3	Year-2	Year-1	Year 0
Asset Value				R 2 479 500.00
Capital Implications				
Future Use Of Asset	CIVIL RELATED PROJECTS			
Describe Key Issues				
Policies in Place to Manage Asset	FLEET MANAGEMENT POLICY			
Asset 2+				
Name	UD TRUCK AND TRAILER			
Description	FLAT BED			
Asset Type	PLANT/ MACHINERY			
Key Staff involved	P NDLOVU			
Staff Responsibilities	FOREMAN			
	Year-3	Year-2	Year-1	Year 0
Asset Value				R 1 924 246.00
Capital Implications				
Future Use Of Asset	CIVIL RELATED PROJECTS			
Describe Key Issues				
Policies in Place to Manage Asset	FLEET MANAGEMENT POLICY			
Asset 3+				
Name	15 TON ROLLER			
Description	ROLLER			
Asset Type	PLANT/ MACHINERY			
Key Staff involved	P NDLOVU			
Staff Responsibilities	FOREMAN			
	Year-3	Year-2	Year-1	Year 0
Asset Value				R 1 402 700.00
Capital Implications				
Future Use Of Asset	CIVIL RELATED PROJECTS			
Describe Key Issues				
Policies in Place to Manage Asset	FLEET MANAGEMENT POLICY			

Tabulated below are the net book values of the various categories off Assets

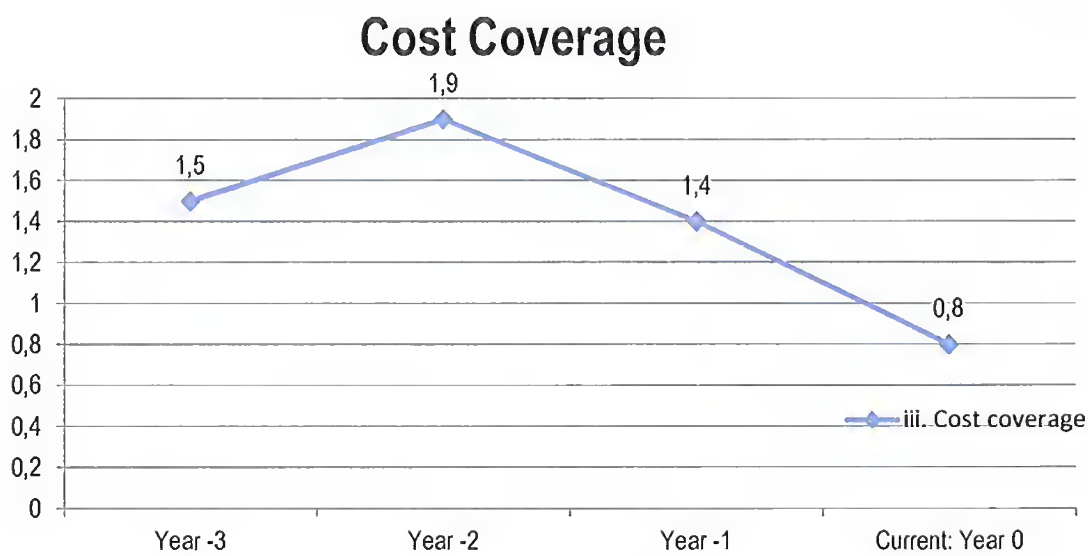
Asset Category	**Net Book Value**
Land Buildings and infrastructure	R555,897,987
Plant and Machinery	R2,141,755
Motor Vehicles	R6,657,056
Office Equipment	R2,802,277
Capital Work In Progress	R53,931,132
Financed Leased Assets	R11,844,914
Landfill Site	R7,013,274
TOTAL	**R640,288,395**

FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS



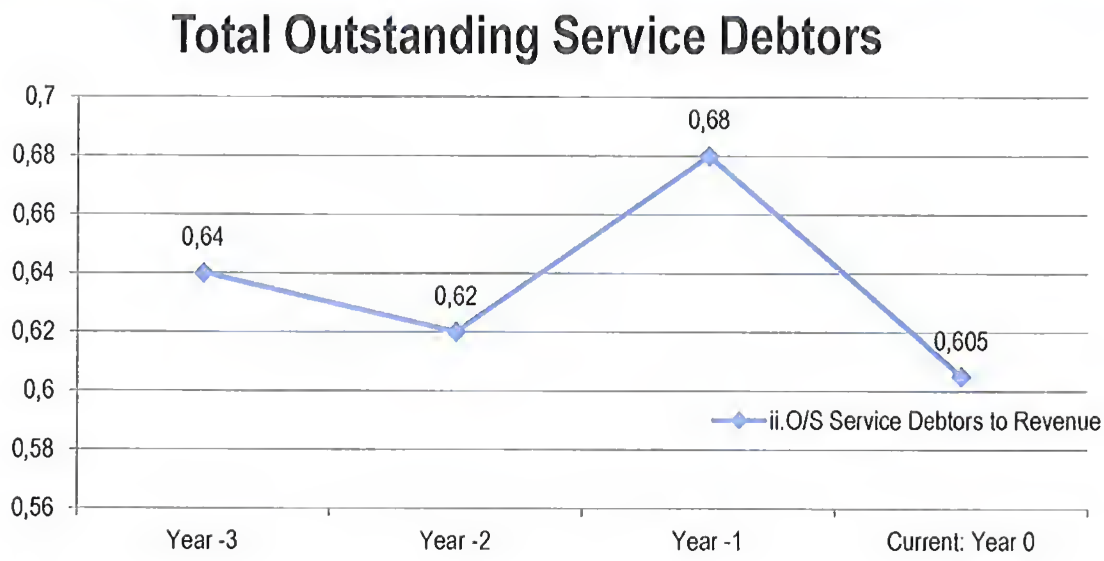
Liquidity Ratio – Measures the municipality's ability to pay its bills and is calculated by dividing the monetary assets (due within one year) by the municipality's current liabilities. A higher ratio is better.

Data used from MBRR SA8

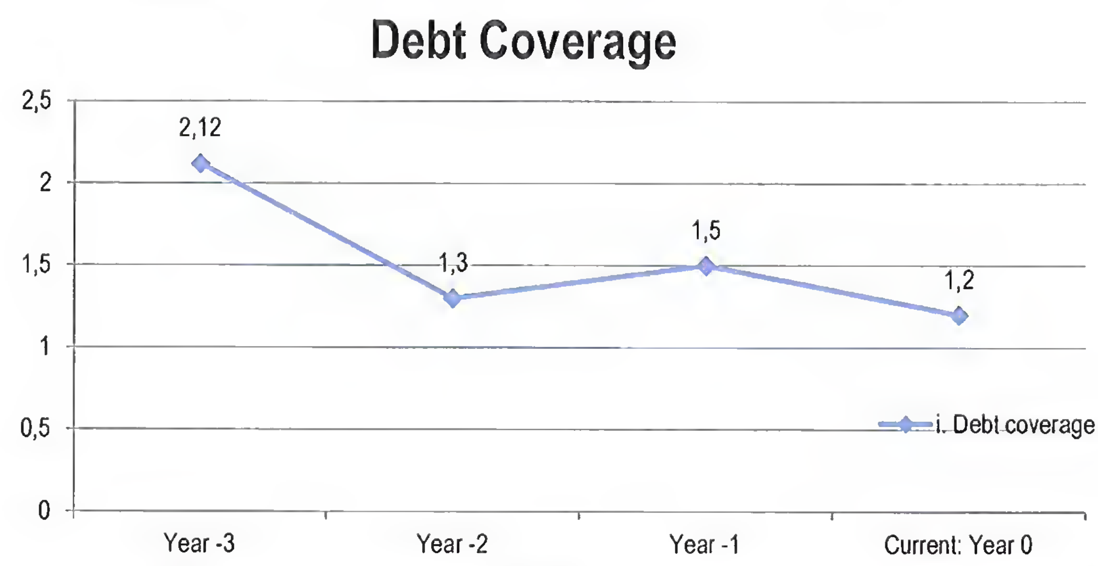


Cost Coverage– It explains how many months expenditure can be covered by the cash and other liquid assets available to the Municipality excluding utilisation of grants and is calculated

Data used from MBRR SA8

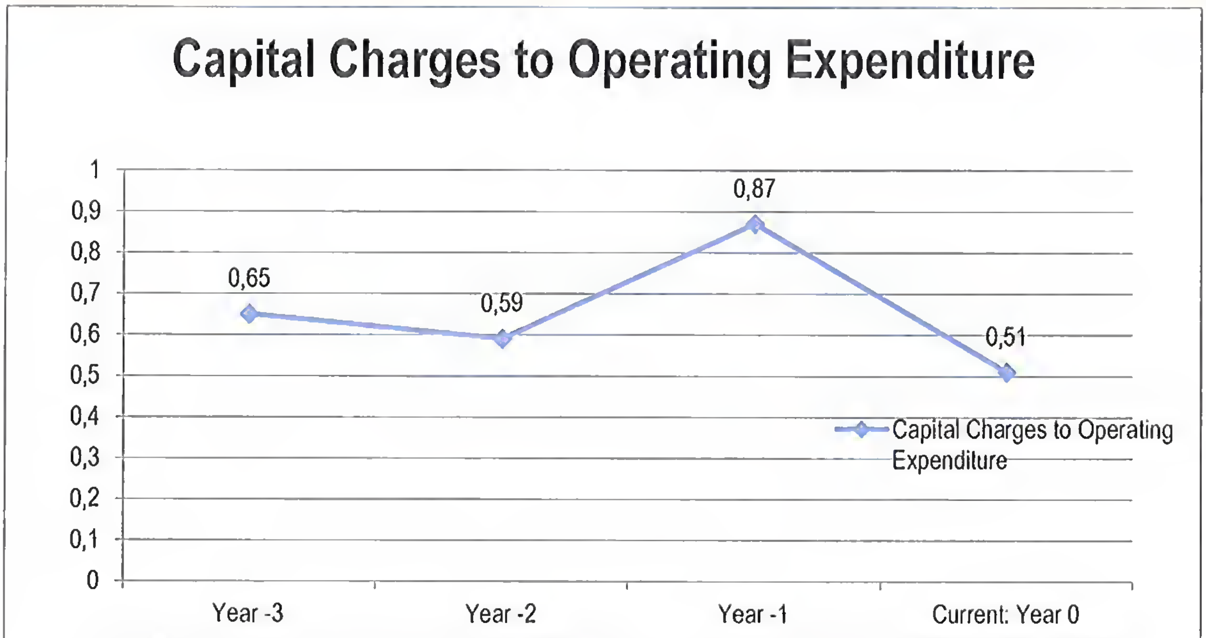


Total Outstanding Service Debtors – Measures how much money is still owed by the community for water, electricity, waste removal and sanitation compared to how much money has been paid for these services. It is calculated by dividing the total outstanding debtors by the total annual revenue. A lower score is better.



Debt Coverage– The number of times debt payments can be accomodated within Operating revenue (excluding grants) . This in turn represents the ease with which debt payments can be accomodated by the municipality

Data used from MBRR SA8

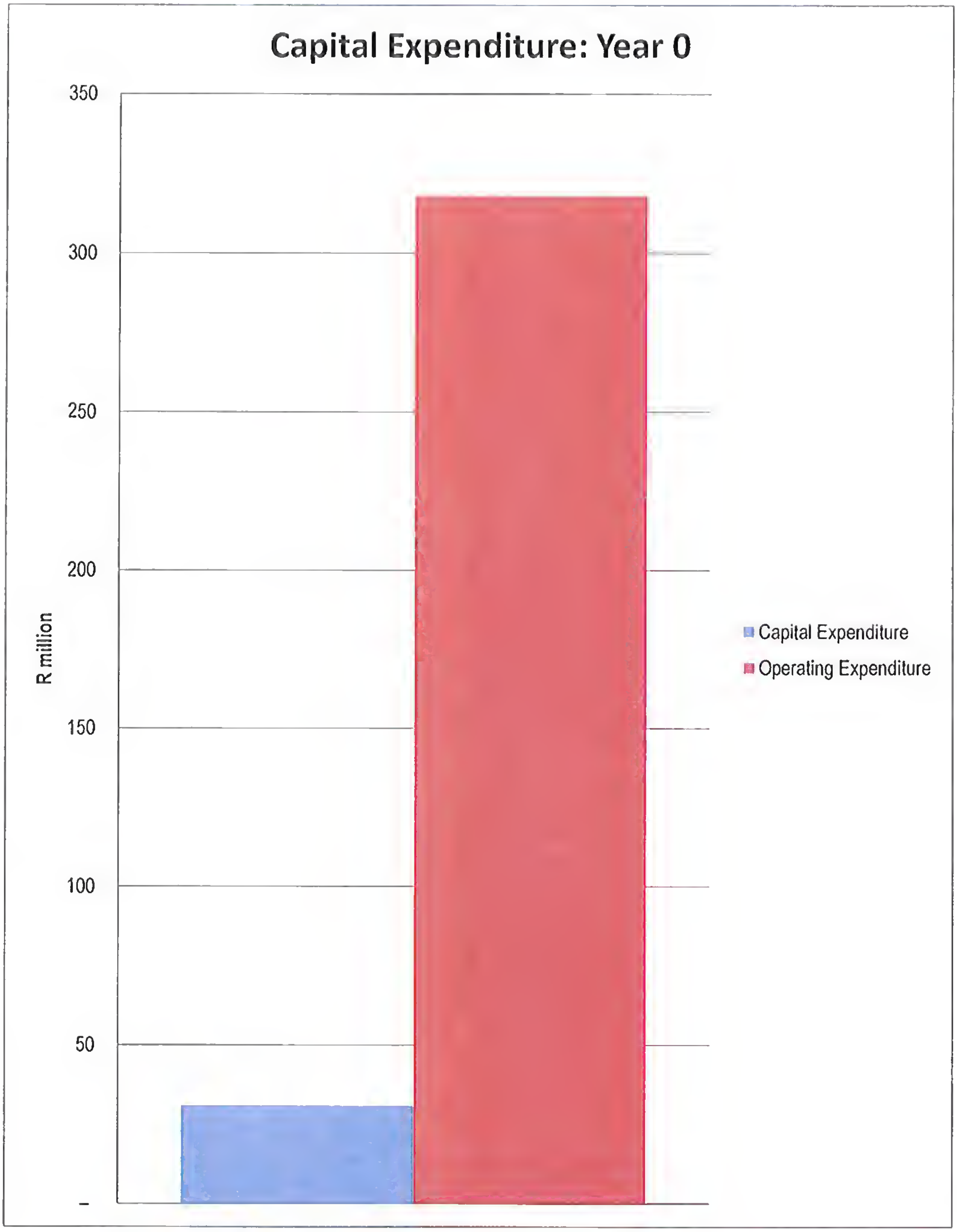


Capital Charges to Operating Expenditure ratio is calculated by dividing the sum of capital interest and principle paid by the total operating expenditure.

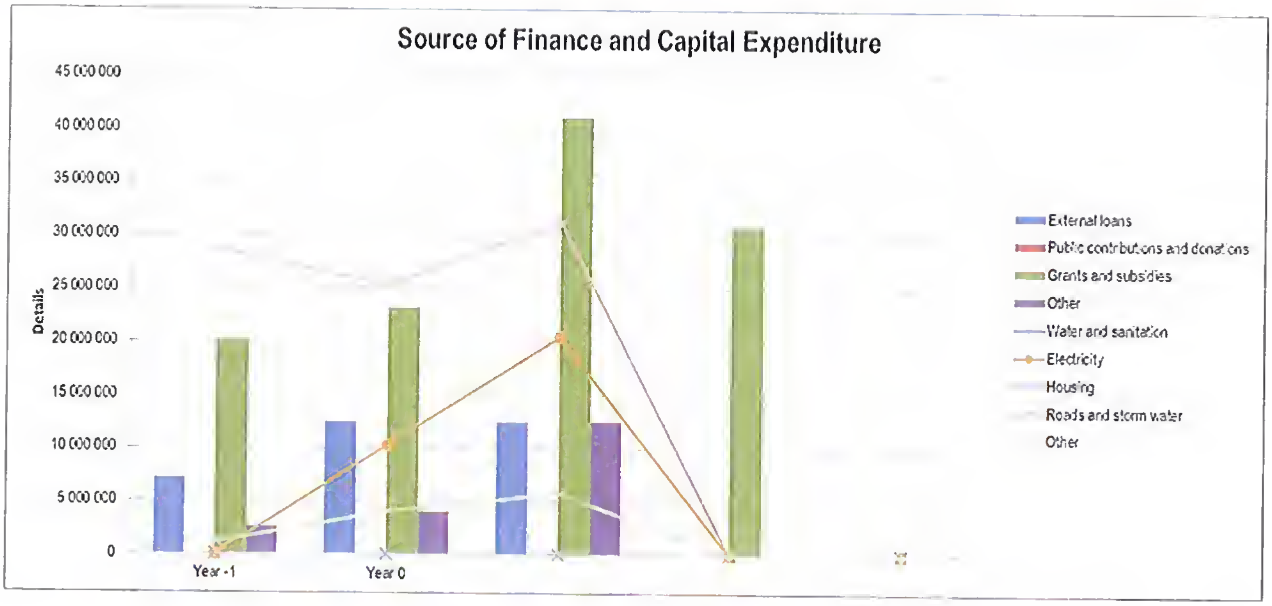
Data used from MBRR SA8

CAPITAL EXPENDITURE

Capital Expenditure - Funding Sources: Year -1 to Year 0						
						R' 000
Details	Year -1	Year 0				
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)
Source of finance						
External loans	7 200 000	12 460 000	12 460 000	0	0.00%	-100.00%
Public contributions and donations	0%	0%	0%	0%	0%	0%
Grants and subsidies	20 084 000	23 161 000	41 086 000	30 865 674	77.39%	33.27%
Other	2 590 000	4 050 000	12 550 000	0	209.88%	-100.00%
Total	**29 874 000**	**39 671 000**	**66 096 000**	**30 865 674**	**287.27%**	**-166.73%**
Percentage of finance						
External loans	24.1%	31.4%	18.9%	0.0%	0.0%	60.0%
Public contributions and donations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants and subsidies	67.2%	58.4%	62.2%	100.0%	26.9%	-20.0%
Other	8.7%	10.2%	19.0%	0.0%	73.1%	60.0%
Capital expenditure						
Water and sanitation	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Electricity	0	10 300 000	20 500 000	0	99.03%	-100.00%
Housing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Roads and storm water	28 722 000	25 307 000	31 307 000	0	23.71%	-100.00%
Other	1 153 000	4 064 000	5 789 000	0	42.45%	-100.00%
Total	**29 875 000**	**39 671 000**	**57 596 000**	**0**	**165.18%**	**-300.00%**
Percentage of expenditure						
Water and sanitation	0.0%	0.0%	0.0%	0.00%	0.0%	0.0%
Electricity	0.0%	26.0%	35.6%	0.00%	60.0%	33.3%
Housing	0.0%	0.0%	0.0%	0.00%	0.0%	0.0%
Roads and storm water	96.1%	63.8%	54.4%	0.00%	14.4%	33.3%
Other	3.9%	10.2%	10.1%	0.00%	25.7%	33.3%
						T 5.6.1


Capital Expenditure: Year 0
350
300
250
200
150
100
50
-
R million
Capital Expenditure
Operating Expenditure

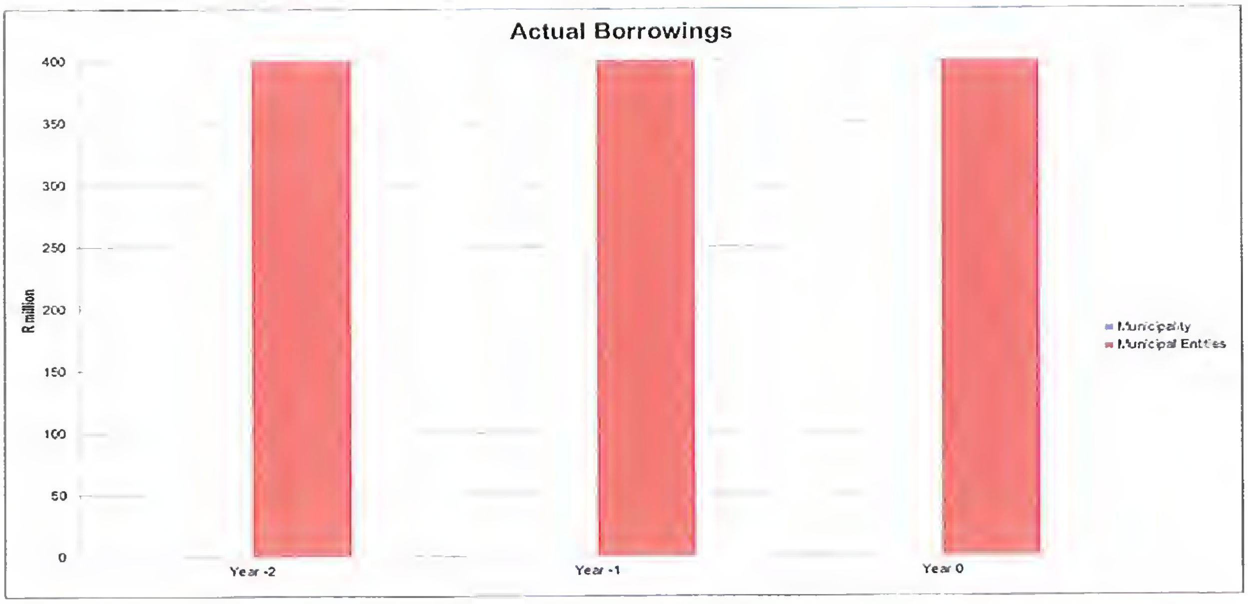
SOURCES OF FINANCE



CASH FLOW MANAGEMENT

Cash Flow Outcomes				
				R'000
Description	Year -1	Current: Year 0		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	212 917	231 943	198 611	219 710
Government - operating	34 159	39 040	39 322	42 627
Government - capital	35 030	23 161	26 425	31 406
Interest	2 261	777	733	2 443
Other receipts	–	–	–	
Payments				
Suppliers and employees	(246 735)	(254 412)	(263 410)	(259 621)
Finance charges	(814)	(3 494)	(3 494)	(1 660)
Transfers and Grants	–	–	–	
NET CASH FROM/(USED) OPERATING ACTIVITI	36 818	37 015	(1 813)	34 905
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE/Purchase of PPE	1 072	–	–	(47 462)
Decrease (Increase) in non-current debtors	352	60	60	
Decrease (increase) other non-current receivable	(310)	–	–	47
Decrease (increase) in non-current investments	(5 162)	(46)	–	(4 042)
Payments				
Capital assets	(29 875)	(39 671)	(57 596)	
NET CASH FROM/(USED) INVESTING ACTIVITIE	(33 923)	(39 657)	(57 536)	(51 458)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans	(864)	–	–	734
Borrowing long term/refinancing	(1 873)	12 460	12 460	(1 289)
Increase (decrease) in consumer deposits	–	–	–	
Payments				
Repayment of borrowing		(6 814)	(6 814)	10 934
NET CASH FROM/(USED) FINANCING ACTIVITIE	(2 737)	5 646	5 646	10 378
NET INCREASE/ (DECREASE) IN CASH HELD	158	3 004	(53 703)	(6 174)
Cash/cash equivalents at the year begin:	13 366	12 478	41 026	13 523
Cash/cash equivalents at the year end:	13 523	15 482	(12 677)	7 349

BORROWING & INVESTMENT



Municipal and Entity Investments			
			R' 000
Investment* type	Year -2	Year -1	Year 0
	Actual	Actual	Actual
Municipality			
FNB Call Account	58	58	3124
ABSA Call Account	1	1	1
FNB Money Market	6063	10462	31
FNB Money Market	2453	1599	7015
FNB Land Sales	1133	1163	1202
FNB MSIG	2346	2409	485
FNB Money Market	6054	9267	6660
FNB Money Market	4239	526	4837
FNB 32 Days Call	0	2018	2120
FNB Call Account			6077
Other			24
Municipality sub-total	22347	27503	31576
Municipal Entities			
FNB Call Account			
ABSA Call Account			
FNB Money Market			
FNB Money Market			
FNB Land Sales			
FNB MSIG			
FNB Money Market			
FNB Money Market			
FNB 32 Days Call			
Other			
Entities sub-total	0	0	0
Consolidated total:	22347	27503	31576

OTHER FINANCIAL MATTERS

Supply Chain Management

The municipality has developed and amended its supply chain management policy in line with supply chain regulations. The policy meets all the requirements as stated in the Municipal Finance Management Act, No. 56 of 2003. The unit has two Supply Chain Clerks, and one SCM Officer. The department also is capacitated by one finance intern and is supported by the KwaZulu Natal Provincial Treasury.

APPENDICES

Municipal / Entity Functions		
MUNICIPAL FUNCTIONS	Function Applicable to Municipality (Yes / No)*	Function Applicable to Entity (Yes / No)
Constitution Schedule 4, Part B functions:		
Air pollution	Yes	
Building regulations	Yes	
Child care facilities	No	
Electricity and gas reticulation	Yes	
Firefighting services	Yes	
Local tourism	Yes	
Municipal airports	No	
Municipal planning	Yes	
Municipal health services	Yes	
Municipal public transport	No	
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	No	
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	No	
Stormwater management systems in built-up areas	Yes	
Trading regulations	No	
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	No	
Beaches and amusement facilities	No	
Billboards and the display of advertisements in public places	Yes	
Cemeteries, funeral parlours and crematoria	Yes	
Cleansing	Yes	
Control of public nuisances	Yes	
Control of undertakings that sell liquor to the public	Yes	
Facilities for the accommodation, care and burial of animals	No	
Fencing and fences	No	
Licensing of dogs	No	
Licensing and control of undertakings that sell food to the public	Yes	
Local amenities	Yes	
Local sport facilities	Yes	
Markets	Yes	
Municipal abattoirs	No	
Municipal parks and recreation	Yes	
Municipal roads	Yes	
Noise pollution	Yes	
Pounds	Yes	
Public places	Yes	
Refuse removal, refuse dumps and solid waste disposal	Yes	
Street trading	Yes	
Street lighting	Yes	
Traffic and parking	Yes	
If municipality: indicate (yes or No); * If entity: Provide name of entity		*TD*

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	**Purpose of Committee**
Local Labour forum	To deal with labour matters for all employees.
Infrastructure, Housing, Town planning, Rural Development and Agrarian Reform Committee	To deal with matters pertaining to the relevant committees
Safety/ Security Committees	To deal with the safety and security of all employees
Sports, Gender, Vulnerable Groups, Health, Youth and Education Committee	To deal with matters related to the relevant committees
IDP, Finance, Local Economic Development and Tourism Committee	To deal with all financial matters of the municipality eg. Growth and publicity.
Human resources and Transformation Committee	To deal with the recruitment and personnel matters
Rules Committee	All decision taken by the Rules Committee meeting are taken in the best interest of Council
Council	To formulise rules and regulations for the Municipality to operate in good governance
Municipal Public Accounts Committee	To deal with and investigate important matters that needs to be addressed and clarified

CHAPTER SIX: AUDITOR GENERAL AUDIT FINDINGS

AUDITOR GENERAL OPINION OF FINANCIAL STATEMENTS 2012/2013

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND COUNCIL ON UMTSHEZI MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Umtshezi Municipality set out on pages ... to ..., which comprise, the statement of financial position as at 30 June 2013, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and Division of Revenue Act of South Africa, 2012 (Act No. 5 of 2012) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for qualified opinion

Commitments

6. The municipality did not have adequate systems in place to record all capital commitments. I was unable to obtain sufficient appropriate audit evidence for the amounts disclosed as capital commitments in note 39 to the financial statements and I could not confirm the disclosure by alternative means. Consequently, I was unable to determine whether any further adjustments to the approved and contracted capital commitments stated at R39,56 million and approved and not yet contract capital commitments stated as R80,69 million in the financial statements were and are necessary.

Liabilities

7. I was unable to obtain sufficient appropriate audit evidence that management has properly accounted for all accruals for the current year. I was unable to confirm the accruals by alternative means. Consequently, I was unable to determine whether any adjustment to accruals stated at R29,22 million in note 16 to the financial statements was necessary.

Irregular expenditure

8. The municipality did not have adequate systems in place to maintain records of payments made in contravention of the supply chain management regulations. I was unable to obtain sufficient appropriate audit evidence that management has properly accounted for all irregular expenditure for the current year. I was unable to confirm the irregular expenditure by alternative means. Consequently, I was unable to determine whether any adjustments to irregular expenditure stated at R12,80 million in note 46 to the financial statements were and are necessary.

Opinion

9. In my opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Umtshezi Municipality as at 30 June 2013 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

10. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Significant uncertainties

11. As disclosed in note 40 to the financial statements, litigation is in the process against the municipality relating to an incident where an officer, in the discharge of his duties, shot a street vendor. The plaintiff is seeking damages to the amount of R300 000 in respect of pain, suffering and discomfort. The outcome of this matter was not certain at the reporting date.

12. As disclosed in note 40 to the financial statements, the municipality is also defending a matter against a construction company for the amount of R2,76 million. This company interdicted the municipality from advertising certain developments that they believe were awarded irregularly, whilst the municipality is of the opinion that this company was in breach of its contract. The outcome of this matter was not certain at the reporting date.

Restatement of corresponding figures

13. As disclosed in note 42 to the financial statements, the corresponding figures for 30 June 2012 have been restated as a result of an error discovered during 2012-2013 in the financial statements of the municipality at, and for the year ended, 30 June 2012.

Material underspending of grants

14. As disclosed in the statement of comparison of budget and actual amounts, the municipality has materially underspent its budget on government grants and subsidies by R7,61 million. As a consequence, the municipality has not achieved its planned targets as per the approved service delivery and budget implementation plan.

Material losses

15. As disclosed in note 52 to the financial statements, the municipality incurred material electricity distribution losses of 16,37 million kilowatt hours during the year.

Material impairment

16. As disclosed in note 11 to the financial statements, the municipality provided for an impairment allowance of R34,91 million on consumer debtors, as the recoverability of these amounts were considered doubtful.

Going concern

17. As disclosed in note 44 to the financial statements the municipality's financial statements reflect indicators of a going concern risk as the unspent grants and liabilities were not cash backed by investments as well as cash and cash equivalents. Moreover, the municipality has impaired 44.9% of its debtors.

Additional matter

18. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

19. The supplementary information set out on pages ... to ... do not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

20. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

21. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages ... to ... of the annual report.

22. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information (FMPPI).*

    The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

23. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

Additional matter

24. Although no material findings concerning the usefulness and reliability of the performance information were identified in the annual performance report, I draw attention to the following matter below.

Achievement of planned targets

25. Of the total number of forty-two (42) targets planned for the year under review, ten (10) of the targets were not achieved. This represents 24% of total planned targets that were not achieved for the year. This was mainly due to inadequate monitoring of targets and suppliers as well as inadequate funding.

Compliance with laws and regulations

26. I performed procedures to obtain evidence that the municipality has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the general notice issued in terms of the PAA are as follows:

Procurement and contract management

27. Goods and services with a transaction value below R200 000 were procured without obtaining the required written price quotations, as required by regulations 17(a) and 17(c) of the Municipal Supply Chain Management Regulations (MSCM).

28. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by regulations 19(a) and 36(1) of the MSCM.

29. Sufficient appropriate audit evidence could not be obtained that quotations were awarded to suppliers whose tax matters have been declared to be in order, as required by regulation 43 of the MSCM.

30. The preference point system was not always applied in the procurement of goods and services above R30 000, as required by section 2(a) of the Preferential Procurement Policy Framework, 2000 (Act No. 5 of 2000).

Annual financial statements

31. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements identified by the auditors were not adequately corrected and were not supported by full and proper records, which resulted in the financial statements receiving a qualified opinion.

Expenditure management

32. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA.

Internal control

33. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

34. The accounting officer did not exercise effective oversight responsibility regarding financial reporting and compliance with procurement and expenditure management as well as internal control.

Financial management

35. Management has not implemented adequate controls over the preparation of the financial statements to ensure that it complies with the required accounting standards. Adequate review and monitoring over supply chain management was not undertaken.

OTHER REPORTS

Investigations in progress

36. The South African Police Services is investigating a banking fraud case perpetrated against the municipality during June 2013. The matter is also being investigated by the forensic divisions of two banks and certain monies have been refunded by ABSA bank to the municipality.

37. The Department of Human Settlements has initiated a forensic investigation into the upgrade Khwezi Hostel. The project is currently on hold pending the outcome of the investigation.

Auditor - General

Pietermaritzburg

29 November 2013

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

AUDIT ACTION PLAN TO ADDRESS 2012/2013 FINANCIAL YEAR AUDIT FINDINGS

Audit Report paragraph number/Finding	*Action plan*	*Implementation / (Target) Date*	*Accountable Executive*	*Status*
1. Commitments not completely disclosed in the annual financial statements	• Training will be provided to all relevant Finance staff. • A Contract Register will be compiled that will indicate all the commitments. • Contracts and Work in Progress will be monitored monthly and updated on the Contract Register and the Venus system. • Have engaged services of a professional firm to assist with the compilation of contract register.	15 February 2014 30 August 2014	CFO, All directors CFO, All directors CFO, All directors	Completed Completed Completed
2. Accruals not completely disclosed in the annual financial statements:	• Training will be provided to all relevant Finance staff. • Retention creditor's will be disclosed in the half-year and year-end financial statements; • All monies received and not used will be accounted for as liability (Unexpended grants). • All services rendered/goods received by the end of the reporting period will be accounted for.	15 February 2014 10 February 2014 31 July 2014 31 December 2013 30 June 2014	CFO CFO CFO CFO	Completed
3. Irregular expenditure of R12.8 million.	• Irregular expenditure of R12.8 million, as reported, will be investigated by Council as per section 32 of the MFMA. • Irregular expenditure of R12.8 million will be	26 February 2014 30 July 2014	Council Municipal Manager	Completed

Audit Report paragraph number/Finding	*Action plan*	*Implementation / (Target) Date*	*Accountable Executive*	*Status*
	dealt as per the Council Resolution taken in this regard.		(MM)	
	KZN Provincial Treasury has seconded a resource to provide training and support to the SCM Unit, which will encompass ensuring inter alia that: • We obtain three written quotations for all the goods or services purchased for less than R200 000; • All goods or services procured above R200 000 and long-term are competitive bids; • The preference point system is always applied in the procurement of goods and services above R30 000.	Ongoing	MM	Completed
	Review all expenditure from 1 July 2013 to date, to identify other incidences of irregular expenditure to report to EXCO/Council to investigate and for them to be dealt with as per Council resolution.		CFO	
4. Litigation in process against the municipality (Street vendor - R300,000)	This matter has been reported to Council and is currently followed up by management	Ongoing	MM	Ongoing
5. Litigation in process against the municipality (Construction company – R2,76 m)	This matter has been reported to Council and is currently under investigation.	Ongoing	MM	Ongoing

Audit Report paragraph number/Finding	***Action plan***	***Implementation / (Target) Date***	***Accountable Executive***	***Status***
5. Material underspending of grants	• A Procurement Plan has been compiled and will be monitored monthly and progress, delays reported to the MM/EXCO. • All directors with projects will be required to motivate planning delays, and the CFO will report on SCM delays on project procurement/expenditure. • A spending report will be submitted to the MM, CFO and EXCO monthly.	Immediate (30 June 2014) (Monthly by the 10th working day)	All directors	Completed Done for July – December 2013
6. Material losses of electricity	• A load monitoring system (SCADA) will be introduced; • Metering system will be improved. • Meter reading in June each year for consumer consumption will be aligned with the ESCOM reading as far as possible. • Illegal connections will be monitored	24 February 2014 8 December 2013 June 2014 Immediate (Ongoing)	Senior Manager: Electrical (Cyril Moodley)	Completed
7. Material impairment	• Indigent management and debt collection process will be reviewed and improved, where possible.	Monthly	CFO	Done monthly
8. Going concern Unspent grant monies not cash backed	• We will review our cash flow management and credit control processes to improve investments and debt collection. • We will consider revenue enhancement	Ongoing	CFO	Ongoing

Audit Report paragraph number/Finding	*Action plan*	*Implementation / (Target) Date*	*Accountable Executive*	*Status*
Material impairment of debtors	strategies to maximise revenue opportunities.			
9. Achievement of planned targets: 10 out of 42 targets not achieved	• Refer actions referred to in paragraph 14 above. • Under-performance will be monitored on a quarterly basis and corrective measures will be implemented and monitored.	Refer to paragraph 14. Quarterly	Refer to paragraph 14. MM / All HOD's Mayor PAC	Done Quarters 1 and 2 and 3, and 4
Procurement and Contract Management				
10. Proc < R200k	• Refer actions referred to in paragraph 8 above.	Refer Implementation/Target dates, Accountable Executive and Status in paragraph 8 above.		
11 Proc > R200k				
12. Awards to suppliers whose tax matters in order				
13. Preference points system not applied				
Annual financial statements				
14. The financial statements submitted for auditing were not in all material respects in terms of section 122.(1) of the MFMA. Material misstatements identified by the auditors were not adequately corrected and were not supported by full and proper records, which resulted in	• Interim financial statements for the six months ended 31/12/2013 will be compiled, which will be reviewed by Internal Audit, together with the supporting working papers. • A financial statement preparation plan will be compiled. • Internal Audit will also review the year-end draft financial statements together with the supporting working papers.	2/01/2014 30 July 2014	CFO	Completed

Audit Report paragraph number/Finding	*Action plan*	*Implementation / (Target) Date*	*Accountable Executive*	*Status*
the financial statements receiving a qualified opinion.	• Both the six-month and year-end financial statements will be submitted to the Audit Committee for review.			
Expenditure management				
15. Reasonable steps not taken to prevent irregular expenditure as required by section 62.(1)(d) of the MFMA.	• Refer actions referred to in paragraph 8 above.	Refer Implementation/Target dates, Accountable Executive and Status in paragraph 8 above.		
Internal control				
16. **Leadership**: The MM did not exercise adequate oversight over financial reporting, compliance with procurement and expenditure management, and internal control.	• Refer actions referred to in paragraphs 8 and 31 above.	Refer Implementation/Target dates, Accountable Executive and Status in paragraphs 8 and 31 above.		
17. **Financial management**: Management has not implemented adequate controls over the preparation of the financial statements to ensure that it complies with the accounting standards. Adequate review and monitoring was not exercised over supply chain management was not	A checklist will be developed to monitor internal controls.	30 July 2014	CFO	Completed

Audit Report paragraph number/Finding	*Action plan*	*Implementation / (Target) Date*	*Accountable Executive*	*Status*
undertaken.				
Investigations in progress				
18. Cheque fraud	This matter has been reported to Council and is currently under investigation	30 August 2014	CFO	In progress
19. iKwezi Hostel	This matter has been reported to Council and is currently under investigation	30 August 2014	Pecs Director	In progress

AUDITOR GENERAL'S OPINION:2013/2014

IN PROGRESS

ANNUAL PERFORMANCE REPORT

1. Background

The **Municipal Systems Act No.32 of 2000, section 46**, stipulates that the Accounting Officer of a Municipality must after the end of each year, compile the **Annual Performance Report** and **annual financial statements** which forms part of the **Annual Report**. The **Municipal Finance Management Act(MFMA) No.56 of 2003 (Chapter 12 section 121)** further stipulates that the Municipal Manager must within six (6) months after the end of the Financial Year present the Annual report. The Mayor within seven (7) months after the end of the Financial Year must table the Annual Report to Council for adoption.

The Department of Provincial and Local Government defines PMS as a strategic approach to management which equips leaders, managers, employees and stakeholders at different levels to regularly plan, monitor, measure and review the performance of the municipality in terms of the targets that are set out in the organisational scorecard for that financial year and in this case is 2013/2014

The S46 Annual Performance Report assess or ensures that the performance targets that were set out in the organisational scorecard for the entire financial year are actually achieved.

In the 2012/2013 financial year, UMtshezi Municipality has regressed from a clean audit opinion to a qualified audit opinion. This financial year we are expecting clean audit opinion and we are trying our best to achieve it. During the middle of financial year, the municipality revised the scorecard since it was not user friendly. Based on the scorecard assessment, the revised scorecard was adopted four (4) months before the end of the Financial Year. When looking at the above scorecard revision issues, UMtshezi Municipality has performed very well since all KPA's activities were attended within a period of four (4) months before the end of the Financial Year.

From the analysis of the organisational scorecard, UMtshezi Municipality has achieved majority of the targets that were set from the beginning of the entire financial year. The achievements have ascertained that service delivery processes from UMtshezi Municipality has been accomplished thus far. This is not to say the municipality does not have challenges.

It should also be noted that, the initial scorecard was revised during mid-year to ensure that service delivery processes are not compromised and during revision lot of information went missing or was not properly transferred (migration) to the new scorecard. Despite these conditions, the municipality managed to perform well. This report is based on five (5) National KPA's of Municipal Transformation and Institutional Development, Basic Services Delivery and Infrastructure, Local Economic Development, Financial Viability and Financial Management and lastly; Good Governance and Public Participation. It is on the organisational scorecard format and narrative format.

2. Summary

This section highlights the performance achievements, challenges and measures taken to improve municipal performance during the 2013/2014 Financial Year.

The Annual Performance Report includes Key Performance Areas, which forms part of the IDP 2013/2014. These Key Performance Areas have been included in the Municipal Scorecard for 2013/2014 Financial Year.

It also presents the year-end performance results for 2013/2014. The report is accumulative and are in the form of two approaches; that is organisational scorecard and the narrative form as per National Key Performance Areas of:

1. Municipal Institutional Transformation & Development
2. Basic Services Delivery
3. Local Economic Development
4. Municipal Financial Viability & Management
5. Good Governance & Public Participation
6. Cross- cutting Interventions are accommodated in the above-mentioned National KPA's.

3. Performance Management System Processes

The uMtshezi Municipality has developed and adopted the Organisational Performance Management System and its aligned to local government related policies and prescripts.

- ❖ White Paper on Local Government of 1998 (supported by Batho Pele principles encompassed in the White Paper on Public Service Delivery of 1997)
- ❖ Local Government: Municipal Systems Act 32 of 2000, (chapter 6 deals with Performance Management Systems)
- ❖ Local Government: Municipal Finance Management Act 56 of 2003, (publish the annual performance report of the municipality forming part of the annual report)

The municipality has successfully submitted the following compliance reports;

- ❖ The municipality holds Management Committee meetings every Monday morning to deliberate on municipal operational issues.
- ❖ Quarterly Reports but not to Council
- ❖ Mid-Year Municipal Performance Report
- ❖ Appointed the Internal Audit Firm (PwC) to audit municipal performance and financials
- ❖ Annual Report 2012/2013 developed and adopted and submitted to Co-operative Governance & Traditional Affairs (Pietermaritzburg – KwaZulu /Natal).

4. Performance and Supporting Information

The Performance Reporting of uMtshezi Local Municipality is in line with the six (6) National Key Performance Areas and also focuses on section 46 of the Municipal Systems Act requirements.

The municipality at the beginning of 2013/2014 financial year has developed and adopted the municipal scorecard which was later revised during the mid-year and this has caused the loss of information during migration of information (revision) from the initial scorecard to the revised scorecard. The organisational scorecard was adopted in February 2014 and is used to develop this Annual Performance Report is attached below (Annual Performance Report).

KEY FOR PERFORMANCE RATINGS

RATING	COLOUR	COLOUR NAME
EXCELLENT		GREEN – OUTSTANDING
GOOD		BLUE –WELL PERFORMED
FAIR		YELLOW - UNDERPERFORMED
POOR		GREY– NON PERFORMANCE

National Key Performance Area	Strategic Objective	IDP Ref.	Measurable Objective	Responsble Dept	Key Performance Indicator	2012/2013		2013/2014			
						Target	Actual	Target	Actual	Reason for under/none performance	Measures taken for improvement
MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT	Human Resource Development	A1	Review & adopt Organogram	Corporate	Adopted Organogram	30 June 2013	30 June 2013	30 June 2014	30 June 2014	n/a	n/a
		A2	Number of people from EEP target group employed in the three highest levels of management	Corporate	Number of people	3	3	1	1	n/a	n/a
		A3	Employment of staff in terms of Umtshezi Municipality's EEP	Corporate	Number of staff employed in terms of the EEP	New 13/14 Target	New 13/14 Target	20	21	n/a	n/a
		A4	Women employed by the municipality	Corporate	Number of women employed	New 13/14 Target	New 13/14 Target	10	13	n/a	n/a
		A5	Youth employed by the municipality	Corporate	Number of youth	New 13/14 Target	New 13/14 Target	10	13	n/a	n/a
		A6	Disabled staff employed by the municipality	Corporate	Number of disabled staff employed	New 13/14 Target	New 13/14 Target	1	1	n/a	n/a
		A7	Develop & adopt Workplace Skills Plan	Corporate	Yes /No	Yes - 30 June 2013	Yes - 30 June 2013	Yes	28 May 2014	n/a	n/a
		A8	Budget spent on WSP	Corporate	99%	100%	99%	100%	(100%)	n/a	n/a

	Batho Pele Principles	**A9**	**Submit Councillors Reports to the Speaker regarding ward level service delivery**	**Municipal Manager**	**Final approved documents**	**New 13/14 Target**	**New 13/14 Target**	**Yes**	6	n/a	n/a
			Displaying of the relevant legislation	Corporate	Number of disciplinary cases	**New 13/14 Target**	**New 13/14 Target**	Yes	18	n/a	n/a
			Surveys to be conducted	PECS	Final approved documents/report	Yes – 31 December 2012	Yes – 31 December 2012	Yes	No	No funding allocated	PECS propose moving this activity
			Develop Service Charter	PECS	Final approved documents/report	**New 13/14 Target**	**New 13/14 Target**	Yes	No	No funding allocated	PECS propose moving this activity
			Conduct Customer Satisfaction Survey	PECS	Final approved documents/report	Yes – 31 December 2012	Yes – 31December 2012	Yes	No	No funding allocated	PECS propose moving this activity
	Integrated Development Plan (IDP)	A10	Review & adopt Spatial Development Framework	PECS	Approved SDF	**New 13/14 Target**	**New 13/14 Target**	Yes	(28/5/2014)	N/A	N/A
		A11	Review & adopt Disaster Management Framework	PECS	Approved DMF	**New 13/14 Target**	**New 13/14 Target**	Yes	No	No funding	Planned for 2014/2015
		A12	**Approved MTEF**	**Finance**	**Yes/no**	**New 13/14 Target**	**New 13/14 Target**	**Yes**	**Yes (28/05/14)**	**n/a**	**n/a**

		A1 3	Review & adopt IWMP	PECS	Approved IWMP	New 13/14 Target	New 13/14 Target	Yes	No	No funding	Planned for 2014/2015
	Performance Management Systems (PMS)	A1 4	Develop & Adopt OPMS	Municipal Manager	Adopted OPMS Framework	Yes – 30 July 2012	Yes – 14 November 2012	Yes	14 November 2014	n/a	n/a
		A1 5	Facilitate signing of S57 Performance Agreements	Municipal Manager	Percentage Signed Performance Agreements	New 13/14 Target	New 13/14 Target	100%	100%	n/a	n/a
		A1 6	Develop & adopt Annual Performance Report	Municipal Manager	Adopted APR	New 13/14 Target	New 13/14 Target	1	1	n/a	n/a
	Telecommunications	A1 7	Develop and adopt Communication Strategy	PECS	Approved Communication Strategy	New 13/14 Target	New 13/14 Target	Yes	(31 /07/13)	MM'SPOE (s)	n/a
	IT System	A1 8	Develop & adopt IT Strategy	Corporate	Adopted IT Strategy	New 13/14 Target	New 13/14 Target	Yes	**No**	**No funding**	**To be adopted in 2014/2015 FY**
BASIC SERVICES AND INFRASTRUCTURE DEVELOPMENT	Access to Electricity	B1*	**Households with access to electricity**	**Technical**	**Number of households**	New 13/14 Target	New 13/14 Target	**12161**	**12974**	**n/a**	**n/a**
		B2	New electrical connections	Technical	Number of new connections	New 13/14 Target	New 13/14 Target	12161	213	Target above planned activities	Proper planning to be done for 14/15

	Access to Solid Waste Disposal Services	B3	Households with access to waste disposal services	PECS	Number of Households	New 13/14 Target	New 13/14 Target	20638	22709	N/a	n/a
		B4	New Households with access to weekly waste disposal	PECS	Number of new households	New 13/14 Target	New 13/14 Target	20638	22709	N/a	n/a
	***Access to Solid Waste Disposal Services**	**B5**	**Households with access to FBS**	**Finance**	**Number of households accessing FB services**	**New 13/14 Target**	**New 13/14 Target**	**3762**	**3407**	**n/a**	**n/a**
	Access ro roads	B6*	**Kilometres of tarred established**	**Technical**	**Number of km's**	**0**	0	**4.3km's**	**0**	**No funding allocated**	**Planned for 2014/2015**
		B7	Kilometres of gravel roads established	Technical	Number of km's	5	5	2km's	0	**No funding allocated**	**Planned for 2014/2015**
		B8*	**Kilometres of roads maintained**	**Technical**	**Number of km's**	**41**	**57.5km**	**21km's**	**6 km**	**Raining weather**	**Planned for 2014/2015**
		B9	% of capital budget actually spent on capital projects as approved for the financial year	Technical	% spent	**New 13/14 Target**	**New 13/14 Target**	100 %	43.78%	Some projects were not completed due to rains	To completed in the new Financial year
		B10	% of capital budget actually spent on capital projects on approved for the financial year	PECS	% spent	**New 13/14 Target**	**New 13/14 Target**	100%	68%	Department of Transport did not bill the municipality as per the MoU	To be corrected next Financial Year by negotiating with the Department of Transport KZN.

	Community and public halls	B11	New facilities provided	PECS	Number of facilities	4	1	1	1	n/a	n/a
		B12	Upgrade of facilities provided	PECS	Number of facilities	1	1	1	1	n/a	n/a
	Human Settlements	B13	New houses to be constructed	PECS	Number of units	0	0	0	0	No funds transferred by Dept. of Human Settlements KZN	Meet the Department regarding projects funding
	Managing Health facilities	B14	Primary Health Care and HIV/AIDS Strategy	PECS	Yes/No	0	0	Yes	1 (Draft)	Inadequate Funding	Adopt in 2014/2015
	Safe and Secure Environment	B15	Attend Community Safety Forum	PECS	Yes/no	0	0	Yes	1	But 1 out of 4	To attend this forum in the next FY
		B16	Develop Fire Response Plan	PECS	Yes/No	New 13/14 Target	New 13/14 Target	100%	0%	N/A	N/A
LOCAL ECONOMIC DEVELOPMENT	Economic growth	C1	Targeted Investment Attraction	PECS	% achieved	2	2	100%	50%	No funding allocated	Planned for the 2014/2015
	Poverty Alleviation	C2	Develop & adopt an Indigent Policy	Finance	Approved Policy	New 13/14 Target	New 13/14 Target	Yes	(28/05/ 2014)	N/A	N/A
	Tourism Development	C3	Develop Tourism Strategy	PECS	Yes/no	New 13/14 Target	New 13/14 Target	100%	No	No funding allocated	Planned for the 2014/2015
	Development of prioritised groups	C4	Capacity building initiative undertaken	PECS	Number of SMME's /CO-OPS	12	76	50	166	N/a	n/a

	Special Projects	C5	Special projects planned	Municipal Manager	Number of special projects done	New 13/14 Target	New 13/14 Target	1	3	n/a	n/a
	Promotion of Local Economy	C6	Jobs created through the municipality's LED initiatives	PECS	Number of established public works programmes and other initiatives	126	137	137	298	n/a	n/a
		C7	Jobs created through municipality's capital projects	PECS	Number of jobs created	126	137	137	229	n/a	n/a
GOOD GOVERNANCE AND COMMUNITY PARTICIPATION	Community Awareness	D1	Attend IDP Roadshows and izimbizo	PECS	Number of Roadshows	8	5	5	5	n/a	n/a
		D2	Attend Budget Roadshows and izimbizo	Finance	Number of Roadshows	8	5	5	5	n/a	n/a
	Public Participation	D3	Attend Public Meetings	Municipal Manager	Number of public meetings held	8	5	5	5	n/a	n/a
	STAKEHOLDER LIASION	D4	Hold Stakeholder Meetings	Municipal Manager	Number of meetings held	New 13/14 Target	New 13/14 Target	3	2	n/a	n/a

	Policy Development	D5	Compliance with all relevant legislation	PECS	Yes/No	New 13/14 Target	New 13/14 Target	Yes	No	n/a	n/a
	Internal Auditing Function	D6	Appoint Financial Audit Committee	Municipal Manager	Number of meetings held	4	5	Yes	6	n/a	n/a
		D7	Attend Performance Audit Committee Meetings	Municipal Manager	Number of meetings held	4	5	Yes	4	n/a	n/a
	Develop & adopt Anti-Corruption Strategy /Fraud Prevention Plan	D8	Anti-Corruption Strategy/Plan developed	Municipal Manager	Adopted Strategy/ Plan	New 13/14 Target	New 13/14 Target	1	1 (28/05/ 2014)	n/a	n/a
FINANCIAL VIABILITY AND FINANCIAL MANAGEMENT	Revenue Enhancement	***E1**	**Cash collected from customers**	**Finance**	**R value of revenue collected**	**New 13/14 Target**	**New 13/14 Target**	**R219,579 m**	**R215,172,242.03**	**n/a**	**n/a**
		E2	Amount billed to customers	Finance	R value billed and collected	New 13/14 Target	New 13/14 Target	R152,640 m	R502,48935.40 m	n/a	n/a
		E3	Debt Service Payment	Finance	R value paid	New 13/14 Target	New 13/14 Target	n/a	n/a	n/a	n/a
		E4	Debt Coverage ratio	Finance	Ratio value as per MSA Regulations of 2001	01:01	23:03.1	01:01	04;01	n/a	n/a
		E5	Outstanding services debtors to revenue ratio	Finance	Ratio value as per MSA Regulations of 2001	01:01	3:64.1	01:01	0,035:01	n/a	n/a

		E6	Cost Coverage Ratio	Finance	Ratio value as per MSA Regulations of 2001	01:01	0:44.1	01:01	615:01	n/a	n/a
		E7	Total revenue received from grants and subsidies	Finance	Ratio value as per MSA Regulations of 2001	New 13/14 Target	New 13/14 Target	R80,408,000 m	R74,033 .000m	n/a	n/a
		E8	Total of grants and subsidies	Finance	% spent	New 13/14 Target	New 13/14 Target	100%	79.17%	n/a	n/a
	Budgeting & Reporting	E9	Total operating budget	Finance	R value	New 13/14 Target	New 13/14 Target	R331,950,963 .4 m	R372,517,478.05 m	n/a	n/a
		***E10**	**Total salaries and wages budget(including benefits)**	**Finance**	**R value**	New 13/14 Target	New 13/14 Target	**R69,151.260 m**	**R126,026,858.60m**	**n/a**	**n/a**
		E11	Develop & adopt Oversight Report	Municipal Manager	Adopted Oversight Report	New 13/14 Target	New 13/14 Target	Yes	(28/03/2014)	n/a	n/a
		E12	Compliance with MFMA requirements	Finance	% compliance	New 13/14 Target	New 13/14 Target	100%	100%	n/a	n/a
	Expenditure Control	E13	Total operating expenditure	Finance	R value	New 13/14 Target	New 13/14 Target	R321,146.799 m	R1,058,683,997.05 m	n/a	n/a
		E14	Develop & adopt SCM Policy	Finance	Adopted Policy	New 13/14 Target	New 13/14 Target	Yes	(28/05/2014)	n/a	n/a

1. **Municipal Institutional Transformation & Development**

The overall score for the KPA has performed very well for 2013/2014 FY since most if not all activities have been executed under this directorate. Out of 18 planned activities only 7 were not achieved.

The Corporate Services Department has managed to perform the following tasks as planned:

A1 Organogram has been reviewed and adopted by council

A 2. Employed the 1 person in three highest levels of management

A3 .Managed to employ 21(exceeded) according to the Municipality's Employment Equity Plan

A4.Managed to employ 13 women as planned exceeding the target)

A5. Managed to employ 13 youth as planned exceeding the target

A6. Employed two (1) disabled people exceeding the annual target of 1A7. Workplace Skills Plan developed but not adopted A8. Has spent approximately 57% due to the fact some departments did not inform this department about their trainings

A9. Managed to take 18 staff members to disciplinary hearings

A10. Developed the IT Strategy but not adopted

a) **Challenges**

The revision of the scorecard created a confusion of which one to report against/on.

Failure to avail evidence on time

The scorecard used in this was first used in the middle of the third (3rd) quarter (that is March 2014 , this is four (4) months before the end of the FY).

b) **Measures taken to Improve Performance**

The municipality has since employed the PMS Official dedicated to performance matters

The municipality will ensure that Monthly Performance Report are submitted to serve as early warning system for non- performance

2. **Local Economic Development**

The overall performance score has performed very well for this Key Performance Area for 2013/2014.

Performance Highlights for 2013/2014

The Local Economic Development and the Tourism Strategies were not reviewed due to insufficient funds. The investment attraction was 50 % compared to 100% planned for the last quarter. However, the municipality has managed to do the following:

C2. Adopted Indigent Policy (performed)

C4. Capacitated 168 Small Medium Micro Enterprises (exceeded)

C5. Implemented 3 special projects (exceeded)

C6. Created 298 jobs through municipal LED initiatives (exceeded)

C7. Created 229 jobs through capital projects (exceeded)

Challenges

Insufficient funds allocated to the development of the two sector plans/strategies.

The revision of the scorecard created a confusion of which one to report against/on.

Failure to avail evidence on time and record of information appropriately.

The municipality did not have a dedicated PMS Official

Measures Taken to Improve Performance

To fund the Tourism and LED strategies in the new financial year. In future, the municipality would not include activities not budgeted for. The municipality has since employed the PMS Official dedicated to performance matters

The municipality will ensure that Monthly Performance Reports are submitted to serve as early warning system for non-performance

3. Good Governance and Public Participation

The overall performance score for this National Key Performance Area has performed very well for 2013/2014. Most planned activities have been executed only activities D1/2 where 3 IDP/Budget Roadshows had a poor /low attendance.

a) Performance Highlights for 2013/2014

The municipality has performed very well on this Key Performance Area since all planned activities were successfully implemented as follows:

D1/2 IDP /Budget Roadshows were executed as planned

D3 Public meetings were also successfully attended.

D4.Stakeholders Meetings were also successfully conducted.

D5. The municipality has complied with all Town Planning and Building Regulations.

D6/7. Performance /Audit Committee were formed and planned meetings were attended.

D8. Anti-Corruption Strategy / Fraud Prevention Plan was developed and adopted.

b) Challenges

Management of information, thereby adverts pertaining to IDP /budget Roadshows were not properly kept.

The revision of the scorecard created a confusion of which one to report against/on.

Failure to avail evidence on time and record of information appropriately.

The Municipal Manager's POE File was not available for inspection.

c) Measure to be taken to Improve Performance

The municipality will try acquire the MM's POE File in order to conduct inspection and give opinion.

The municipality will encourage heads of departments to file the information appropriately

To encourage the writing of Monthly Performance Reports in order to monitor progress

4. Basic Services Delivery & Infrastructure:

The overall performance score has performed well for this Key Performance Area for 2013/2014.

a) Performance Highlights for 2013/2014

The Technical director and the Technician during the cause of the year, this created difficulty in executing planned projects on time. Under these conditions the department has managed to do well by executing 6 (six) activities out 10 (ten) and they are as follows:

B1 Provide access to electricity to 12 161 existing households as planned.

B2.Manged to install 213 new electrical connections

B3.Provide waste disposal service to 20 638 households as per the plan

B4. Managed to provide access to waste disposal services to 20 638 households

B8 Managed to maintain 4.9 km of road, this was not according to plan.

B9 Spent 27% of the capital budget

B11. Managed to build one Weenen market stalls as planned

B12. Managed to upgrade one facility (Weenen taxi rank)

B13 No new houses built because the department did not transfer funds for the approved projects.

b) Challenges

Resignation of the Technical Director and the Technician left projects with no proper management to manage projects. In climate weather conditions like raining caused the delays in terms of completion.

The revision of the scorecard created a confusion of which one to report against/on.

Failure to avail evidence on time.

The non-provision of funding for projects

c) **Measures to be taken to Improve Performance**

The municipality has started processes to recruit Technical Director during the new financial year. The municipality has secured the services of the Senior Manager in August 2014. The municipality to implement activities that were not executed like B6 of the establishment of tarred roads and B7 for the establishment of gravel roads and improve spending patterns in B8 and B9 respectively. To ensure that all projects are budgeted for and exclude unbudgeted projects in the all statutory documents.

5. Municipal Financial Viability and Management

The overall performance score for this Key Performance Area is good because most if not all activities planned and executed during the 2013/2014 financial year.

a) **Performance Highlights for 2013/2014**

The most critical vacancies were filled during the mid-financial year, quarter three and four of 2013/2014 (This relates to the Chief Finance Officer, Budget Manager and SCM Manager). Under these circumstances, this department has managed to execute / perform most the tasks evidently in the Annual Performance Report.

A12. Approved Medium Term expenditure Framework

B5. Households provided with access to Free Basic Services

E1. Cash collected from customers

E2. Amount billed to customers

E3. Debt Service Payments

E4. Debt Coverage Ratio

E5. Outstanding services debts to revenue ratio

E6. Cost Coverage Ratio

E7. Total amount received from grants and subsidies

E8. Total grants and subsidies

E9. Total operating budget

E10. Total salaries and wages budget

E11. Oversight Report adopted

E12 Compliance with all MFMA requirements

E13. Total operating expenditure

E14. Adopted the SCM Policy

NB: All of the above activities have been executed and reported against.

b) Challenges

The revision of the intial scorecard done by Sigma IT and another revisons thereof caused a lot confusion and uncertainity .

The revision of the scorecard created a confusion of which one to report against/on.

Failure to avail evidence on time and record of information appropriately.

The CFO joined the the municipality towards the end of quarter two (2) hence reporting was officially started in quarter three (3).

c) Measures to be taken to Improve Performance

Submitted the Appointment of Municipal Performance Panel/s or Committee/s .

To assess municipal performance for 2013/2014

The municipality will also ensure that quarterly reports are assesed and submitted to council to information and adoption .

General Challenges

The revision of the 2013/2014 organisatioanl scorecard has caused uncertainity in terms of timelines per activity or indicator. Furthermore, indicidual performance plans were not amended to align with the new organisational scorecard.

- Most objectives supposed to be "measuarble objectives" were not measurable.
  A1. For example A1 **-"Organogram ; A7 -"Workplace Skills Plan" ; A9-"Service Charter"; D1/2- IDP/Budget Roadshows & Izimbizo" and E11- "Orversight Report"and lastly E14 "SCM Policy"**
  A2. In most columns "**N/A**"has been used which means "**not applicable**"
  A3. In some cases the Annual target is expressed as **YES/NO** but when reporting progress , the **number or n/a** is used and this totally distort the purpose .
  A4. **In B2/B4** , the **Annual Target is 12161** not compatible with the quarterly targets of **10**
  A5. The Municipal Performance Evaluation Panels are not in place .
  A6.Inadequate evidence in the POE's
  A10 Review of SDF in PECS POE contradicts with information in MM's POE (where there is a document and a resolution dated 28 May 2014)
- Migration of information from the previous scorecard to the current scorecard has been a challenge since some information was altered completely .
- Most POE's do not contain supporting information
- Henceforth it was difficult to implement the activities as planned .Most information contained in the **Portfolio of Evidence (POE)** sometimes contradicts with information in the scorecard .

Conclusion

Regarding matters raised above in challenges section the municipality would attend to the following challenges in this manner ;

1. Due to the fact that the municipality is required to compile the Annual Report , hence it is useful to amend the wording of all **"Measurable Objectives"**
2. The affected columns have been amended to compile credible /compatible Annual Performance Report .
3. This has been amended for the APR purposes and compliance.
4. This section would be rectified in the next FY (2014/2015).
5. The Report informing the municipality about the compliance need of these two structures, has been sent to council .
6. This section would be rectified in the next FY (2014/2015).

The municpality will finalise the 2014/2015 scorecard and implement it as such . The municipality will establish Assessment Panel to assess performance on;

- quarterly basis or at least bi-annually and
- continue to compile the mid-year performance assessment report ,
- continue to compile and adopt Annual Performance Report as part of the Annual Report and
- assessment of monthly reports (optional).

Reading from above , the municipality has made termendous progress in terms of implementing of all planned activities for the current financial year and shortfalls identified will be attended to in the new financial year.

Following are the amendments that have already been done:

1. All amendments made have been indicated in yellow;

2. New columns for target and actual for 2012/2013 financial year has been added;

2. Where there is new target in the 2013/2014 financial year, this has been indicated under 2012/2013 as "New 13/14 target"; and

3. Where the 2013/2014 baseline is not the same as the actual performance reflected in the Annual Performance Report for 2012/2013, the 2013/2014 draft APR have been amended to agree to the 2012/2013 Annual Performance Report.

SERVICE PROVIDERS ASSESSMENT REPORT

PERFORMANCE OF EXTERNAL SERVICE PROVIDERS

Assessment Rating Scale

Rating: 1 2 3 4 5

LEVEL	TERMINOLOGY	DESCRIPTION
5	Outstanding Performance	Performance far exceeds the standards of a service provider at this level. The appraisal indicates that the service provider has achieved above fully effective results against all performance criteria and indicators.
4	Performance significantly above expectations	Performance is significantly higher than the standard expected in the job. The appraisal indicates that the service provider has fully achieved effective results against all performance criteria and indicators.
3	Fully Effective	Performance fully meets the standards expected in all areas of the job. The appraisal indicates that the service provider has fully achieved effective results against all significant performance criteria and indicators.
2	Performance not fully effective	Performance is below the standards required for the job key areas. Performance meets some of the standards expected for the job. The review/assessment indicates that the service provider has achieved below fully effective results against more than half the key performance criteria and indicators.
1	Unacceptable Performance	Performance does not meet the standard expected for the job. The review/assessment indicates that the service provider has achieved below fully effective results against almost all of the performance criteria and indicators.

Rating of Service Providers: 2013/2014 Financial Year

NAME OF SERVICE PROVIDER	SERVICE PROVIDED	PERFORMANCE TARGET/ TIMEFRAMES	ASSESSMENT OF THE SERVICE PROVIDER	CORRECTIVE MEASURE FOR NON PERFORMANCE BELOW 3	VALUE OF THE PROJECT R
PGA Consulting	Consulting (Ntunda Crèche)	June 2014	3		725 000
PGA Consulting	Consulting(Collita Road)	June 2014	3		1 679 000.00
Reflecting Thinking	Consulting (Connor & Alfred)	June 2014	3		5 309 377.00
Siqu Consulting	Consulting(Wembezi Roads)	June 2014	3		7 447 623.00
DF Majola Construction	Construction(Wembezi Roads)	May 2014	3		6 111 000.70
Mageza & Sons Construction	Construction(Connor & Alfred)	May 2014	3		4 566 063.73
Ngqengelele Construction	Construction(Collita Road)	May 2014	3		1 499 997.00
Mandli's Construction	Construction(Ntunda Creche)	March 2014	3		725 000.00
Amud Investments	Construction(Frere Hall)	November 2013	3		2 030 445.45
Reflective Thinking	Consulting (Frere Hall)	November 2013	3		3 430 00.00
Isikoti Investment	Construction (Madondo Road)	April 2014	3		1 795 588.82
Isibili Development	Construction(Mshayazafe Hall)	October 2013	3		2 068 300.00
Zamolwe Africa Consulting	Consulting(Phofini Creche	July 2013	3		596 915.00
Jobe Cosntruction	Construction(Phofini Creche)	July 2013	3		588 500.00

NAME OF SERVICE PROVIDER	SERVICE PROVIDED	PERFORMANCE TARGET/ TIMEFRAMES	ASSESSMENT OF THE SERVICE PROVIDER	CORRECTIVE MEASURE FOR NON PERFORMANCE BELOW 3	VALUE OF THE PROJECT R
Zamolwe Africa Consulting	Consultation(Frere Creche)	August 2013	3		588 500.00
Hlakaniphi Trading Enterprise	Construction(Frere Creche)	August 2013	3		596 915.00
D Vujovic	Professional Electrical Engineer	June 2016	5		720 000.00
Khanyisa Africa	Consultant Engineers	June 2015	5		10 500 000.00
Electrotech Electrical	Electrical Contractors	June 2014	5		7 500 000.00
ABB Electrical	Electrical Contractors	December 2014	2	Penalties were instituted	7 200 00.00
Concor	Electrical Contractors		5		9 707 00.00
Royal Haskoning RDV (appointed by DOT)	Consultant: Weenen Taxi Rank	14 April 204	3		1 494 387.28
Sector Five/Isibili JV	Upgrading and Extension of the Taxi Rank in Weenen	14 April 2014	3		4 135 673.00
MMK Engineers	Consultant Weenen Market Stalls	March 2014	3		732 000.00
Zulu Construction	Construction of Market Stalls in Weenen	March 2014	3		1 810 968.00
Sydwalt Projects	Consultant: Wembezi Multi - Purpose Centre	May 2014	3		233 125.41
PLZ Projects JV Nondumo	Construction of Wembezi Multi-Purpose Centre	May 2014	3		15 540 836.08
Sydwalt Projects	Consultant Wembezi Taxi Rank	April 2014	3		1 639 893.15

NAME OF SERVICE PROVIDER	SERVICE PROVIDED	PERFORMANCE TARGET/ TIMEFRAMES	ASSESSMENT OF THE SERVICE PROVIDER	CORRECTIVE MEASURE FOR NON PERFORMANCE BELOW 3	VALUE OF THE PROJECT R
Luthabo Projects and Construction	Construction of Wembezi Taxi rank	April 2014	2	The Municipality has now developed a Contract Management Policy to manage all Consultants better. Contractor not adhering to timeframes set by the Consultant.	10 932 621.00
KaMawewe Development Consultant (appointed by Sports & Recreational)	Consultant: Wembezi Sport Fields	14 May 2014	3		294 000.00
Eyethu Construction	Construction of Wembezi Sports Field	14 May 2014	2	The Municipality has now developed a Contract Management Policy to manage all Consultants better. Contractor not adhering to timeframes set by the Consultant.	1 699 975.26

NAME OF SERVICE PROVIDER	SERVICE PROVIDED	PERFORMANCE TARGET/ TIMEFRAMES	ASSESSMENT OF THE SERVICE PROVIDER	CORRECTIVE MEASURE FOR NON PERFORMANCE BELOW 3	VALUE OF THE PROJECT R
Moteko Programme Managers	Consultant of the Construction of Solar Street Lighting	June 2014	3		870 000.00
Tshwarathebe	Low Income Housing Development	Ongoing	4		45 000 000
Dzongi	Low Income Housing Development	Ongoing	4		45 000 000
Kemafahla	Low Income Housing Development	Ongoing	4		45 000 000
Zenzulwazi	Low Income Housing Development	Ongoing	4		45 000 000
TS Ayona	Low Income Housing Development	Ongoing	4		45 000 000
Mpeko	Low Income Housing Development	Ongoing	3		45 000 000
MTL	Low Income Housing Development	Ongoing	3		No budget as yet
Mapgro	Low Income Housing Development	Ongoing	3		No budget as yet
Stedone Developments	Low Income Housing Development	Ongoing	2	Monthly Housing Forum meetings	100 000 000
Potlaka Consulting	Low Income Housing Development	Ongoing	4		No budget as yet
PWC	Internal Auditors	Annually	4		Varies

ANNUAL FINANCIAL STATEMENTS – 2013/2014

Umtshezi Local Municipality
Annual Financial Statements
for the year ended 30 June 2014

General Information

Legal form of entity	Local Municipality
Municipal demarcation code	KZN234
Nature of business and principal activities	The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Rates and general services - All types of services rendered by the municipality, Housing Services - Supply housing to the community and includes the rental of units owned by the municipality to public and staff; Waste Management Services -The collection, disposal and purifying of waste, refuse and sewerage; and Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality.
Exco committee	
Mayor	Cllr Dlamini, BD
Speaker	Cllr Nunes, CJS
Councillors	Cllr Chetty, U (Appointed: 7 May 2014)
	Cllr Dladla, BS
	Cllr Dlamini, BA
	Cllr Dubazane, TC
	Cllr Duma, TG
	Cllr Gericke, RP
	Cllr Lite, E
	Cllr Magubane, SD
	Cllr Majola, EM
	Cllr Mchunu, ME
	Cllr Mlambo, SM
	Cllr Mlele, SC
	Cllr Sulieman, B
	Cllr Vahed, DM (Passed on: 20 Jan. 2014)
	Cllr Vilakazi, KA
	Cllr Zwane, Z
Grading of local authority	Grade 3
Capacity	Medium
Accounting Officer	Ms PN Njoko (Masters in Business Education)
Chief Finance Officer (CFO)	Mr MJ Zulu CA(SA)
Registered office	Civic Building Victoria Road Estcourt 3310
Business address	Civic Building Victoria Road Estcourt 3310

General Information

Postal address	P O Box 15 Estcourt 3310
Bankers	First National Bank
Auditors	Auditor-General South Africa
Attorneys	Matthew Francis Inc. Botha & Olivier Inc.

Index

The reports and statements set out below comprise the annual financial statements presented to the council:

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Abbreviations

NDPG	Neighbourhood Development Partnership Grant
MSIG	Municipal System Improvement Grant
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
STR	Small Town Rehabilitation Grant
INEP	Integrated National Electrification Programme
HOA	Housing Operating Account

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 6 to 74, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2014 and were signed by her :

Accounting Officer

Estcourt

31 August 2014

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2014.

1. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name
Ms PN Njoko

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013
Assets			
Current Assets			
Cash and cash equivalents	7	7 349 067	13 523 473
Consumer receivables from exchange transactions	8	11 245 094	6 252 273
Other receivables from exchange transactions	9	297 481	297 481
Receivables from non-exchange transactions	10	44 225 458	36 859 322
Loans and receivables	11	507 847	554 641
Inventories	12	1 323 370	1 487 716
Financial assets	6	31 575 987	27 502 994
VAT receivable from exchange transactions	13	16 144 974	13 188 933
		112 669 278	**99 666 833**
Non-Current Assets			
Property, plant and equipment	3	643 128 757	621 290 092
Heritage assets	4	8 244 763	8 244 763
Intangible assets	5	331 577	438 434
Financial assets	6	72 309	103 037
		651 777 406	**630 076 326**
Non-Current Assets		651 777 406	630 076 326
Current Assets		112 669 278	99 666 833
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		**764 446 684**	**729 743 159**
Liabilities			
Current Liabilities			
Payables from exchange transactions		41 610 682	35 800 967
Finance lease obligation	14	3 032 408	534 065
Unspent conditional grants and receipts	15	18 921 943	16 840 549
Current portion of long term loan	16	366 635	929 782
Sundry loans	17	733 660	-
Provisions	18	4 990 769	570 635
Consumer deposits	19	3 040 779	2 844 579
Retirement benefit obligation	20	1 103 000	981 000
		73 799 876	**58 501 577**
Non-Current Liabilities			
Finance lease obligation	14	11 307 202	1 246 257
Other liability		-	11
Long term loan	16	8 002 068	8 727 956
Retirement benefit obligation	20	15 663 000	14 141 000
		34 972 270	**24 115 224**
Non-Current Liabilities		34 972 270	24 115 224
Current Liabilities		73 799 876	58 501 577
Liabilities of disposal groups		-	-
Total Liabilities		**108 772 146**	**82 616 801**
Assets		764 446 684	729 743 159
Liabilities		(108 772 146)	(82 616 801)
Net Assets		**655 674 538**	**647 126 358**

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013
Reserves			
Housing operating account	21	1 095 260	1 095 260
Accumulated surplus		654 579 294	646 031 098
Total Net Assets		**655 674 554**	**647 126 358**

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
Revenue			
Property rates	23	60 174 153	38 105 895
Property rates - penalties imposed		7 164 545	5 597 986
Service charges	24	175 220 102	163 354 770
Government grants & subsidies	25	71 951 607	66 893 132
Rental income		463 433	387 449
Fines		100 975	46 265
Licences and permits		4 853 595	4 705 421
Administration and management fees received		1 720	2 200
Rendering of services		2 136 652	2 128 637
Fees earned		46 067	29 780
Other income		1 043 355	672 005
Interest received	26	2 442 844	2 261 109
Total revenue		**325 599 048**	**284 184 649**
Expenditure			
Personnel	27	(71 116 670)	(62 101 321)
Remuneration of councillors	28	(5 036 936)	(4 601 212)
Depreciation and amortisation	29	(32 560 597)	(31 515 003)
Impairment loss/ Reversal of impairments	30	-	(3 166)
Finance costs	31	(1 660 258)	(813 858)
Debt impairment	32	(14 452 108)	(6 456 781)
Repairs and maintenance		(10 326 354)	(8 961 317)
Bulk purchases	33	(132 912 833)	(129 226 756)
Grants and subsidies paid		(6 142 844)	(1 165 000)
Loss on disposal of assets		(407 063)	(844 768)
General expenses	34	(42 435 189)	(38 813 035)
Total expenditure		**(317 050 852)**	**(284 502 217)**
		-	-
Total revenue		325 599 048	284 184 649
Total expenditure		(317 050 852)	(284 502 217)
Operating surplus (deficit)		**8 548 196**	**(317 568)**
Surplus (deficit) before taxation		8 548 196	(317 568)
Taxation		-	-
Surplus (deficit) for the year		**8 548 196**	**(317 568)**

Statement of Changes in Net Assets

Figures in Rand	Housing operating account	Accumulated surplus	Total net assets
Balance at 01 July 2012	**1 095 260**	**646 206 818**	**647 302 078**
Changes in net assets			
Fair market value additions	-	141 848	141 848
Net income (losses) recognised directly in net assets	-	141 848	141 848
Surplus for the year	-	(317 568)	(317 568)
Total recognised income and expenses for the year	-	(175 720)	(175 720)
Total changes	-	(175 720)	(175 720)
Balance at 01 July 2013	**1 095 260**	**646 031 098**	**647 126 358**
Changes in net assets			
Surplus for the year	-	8 548 196	8 548 196
Total changes	-	8 548 196	8 548 196
Balance at 30 June 2014	**1 095 260**	**654 579 294**	**655 674 554**
Note(s)	21		

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
Cash flows from operating activities			
Receipts			
Receipts from customers		211 571 966	211 140 742
Grants		74 033 001	69 189 000
Interest income		-	2 261 109
Interest income		2 442 844	-
Other receipts		8 137 950	1 775 815
		296 185 761	284 366 666
Payments			
Personnel costs		(76 153 606)	(62 101 321)
Suppliers		(183 467 270)	(185 731 045)
Finance costs		(34 855)	(130 664)
Finance costs - finance leases		(1 625 403)	(683 194)
		(261 281 134)	(248 646 224)
Total receipts		296 185 761	284 366 666
Total payments		(261 281 134)	(248 646 224)
Net cash flows from operating activities	37	**34 904 627**	**35 720 442**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(47 453 311)	(29 874 920)
Proceeds from sale of property, plant and equipment	3	-	2 217 848
Purchase of other intangible assets	5	(8 750)	(310 280)
Increase in financial investments		-	(5 162 469)
Decrease / (Increase) in loans and receivables		46 794	351 859
Increase in financial investments		(4 042 265)	-
Net cash flows from investing activities		**(51 457 532)**	**(32 777 962)**
Cash flows from financing activities			
Movement in other liability		(11)	-
Movement in long term loan		(1 289 035)	(1 872 966)
Movement in deposits on sale of land		733 660	-
Finance lease payments		10 933 885	(912 450)
Net cash flows from financing activities		**10 378 499**	**(2 785 416)**
Net increase/(decrease) in cash and cash equivalents		**(6 174 406)**	**157 064**
Cash and cash equivalents at the beginning of the year		13 523 473	13 366 409
Cash and cash equivalents at the end of the year	7	**7 349 067**	**13 523 473**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	186 137 430	(3 000 069)	**183 137 361**	175 220 102	**(7 917 259)**	47
Rendering of services	2 928 000	1 014 000	**3 942 000**	2 136 652	**(1 805 348)**	
Licences and permits	5 132 465	681 535	**5 814 000**	4 853 595	**(960 405)**	
Administration and management fees received	-	-	**-**	1 720	**1 720**	
Fees earned	-	-	**-**	46 067	**46 067**	
Rental income	233 000	76 000	**309 000**	463 433	**154 433**	
Other income	-	-	**-**	1 043 355	**1 043 355**	
Interest received - investment	777 242	335 758	**1 113 000**	2 442 844	**1 329 844**	47
Total revenue from exchange transactions	**195 208 137**	**(892 776)**	**194 315 361**	**186 207 768**	**(8 107 593)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	43 102 434	5 000 566	**48 103 000**	60 174 153	**12 071 153**	47
Property rates - penalties imposed	5 847 000	-	**5 847 000**	7 164 545	**1 317 545**	47
Government grants & subsidies	62 201 000	18 207 000	**80 408 000**	71 951 607	**(8 456 393)**	47
Transfer revenue						
Fines	316 000	(49 000)	**267 000**	100 975	**(166 025)**	
Total revenue from non-exchange transactions	**111 466 434**	**23 158 566**	**134 625 000**	**139 391 280**	**4 766 280**	
'Total revenue from exchange transactions'	195 208 137	(892 776)	**194 315 361**	186 207 768	**(8 107 593)**	
'Total revenue from non-exchange transactions'	111 466 434	23 158 566	**134 625 000**	139 391 280	**4 766 280**	
Total revenue	**306 674 571**	**22 265 790**	**328 940 361**	**325 599 048**	**(3 341 313)**	
Expenditure						
Personnel	(64 014 632)	(4 368)	**(64 019 000)**	(71 116 670)	**(7 097 670)**	47
Remuneration of councillors	(5 268 392)	(473 608)	**(5 742 000)**	(5 036 936)	**705 064**	
Depreciation and amortisation	(35 000 000)	-	**(35 000 000)**	(32 560 597)	**2 439 403**	47
Finance costs	(3 494 000)	(300)	**(3 494 300)**	(1 660 258)	**1 834 042**	
Debt impairment	(12 000 000)	-	**(12 000 000)**	(14 452 108)	**(2 452 108)**	47
Repairs and maintenance	(11 428 000)	(500)	**(11 428 500)**	(10 326 354)	**1 102 146**	
Bulk purchases	(139 875 000)	2 000 000	**(137 875 000)**	(132 912 833)	**4 962 167**	47
Grants and subsidies paid	(7 069 000)	-	**(7 069 000)**	(6 142 844)	**926 156**	
General expenses	(35 777 038)	(7 047 576)	**(44 345 838)**	(42 435 189)	**1 910 649**	47
Total expenditure	**(313 926 062)**	**(5 526 352)**	**(320 973 638)**	**(316 643 789)**	**4 329 849**	
	306 674 571	22 265 790	**328 940 361**	325 599 048	**(3 341 313)**	
	(313 926 062)	(5 526 352)	**(320 973 638)**	(316 643 789)	**4 329 849**	
Operating surplus	**(7 251 491)**	**16 739 438**	**7 966 723**	**8 955 259**	**988 536**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Loss on disposal of assets and liabilities	-	-	-	(407 063)	**(407 063)**	
	(7 251 491)	16 739 438	**7 966 723**	8 955 259	**988 536**	
	-	-	-	(407 063)	**(407 063)**	
Surplus before taxation	**(7 251 491)**	**16 739 438**	**7 966 723**	**8 548 196**	**581 473**	
Deficit before taxation	(7 251 491)	16 739 438	**7 966 723**	8 548 196	**581 473**	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(7 251 491)**	**16 739 438**	**7 966 723**	**8 548 196**	**581 473**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact management estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets
The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as inflation and interest.

Value in use of non-cash generating assets
The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependant on the availability of data and the nature of the impairment.

Provisions

Provisions are raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 Provisions.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20.

Effective interest rate

The municipality used the government bond rate to discount future cash flows.

Allowance for impairment

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, it's cost is measured at the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

1.4 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on a straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Buildings	
• Property and permanent fixtures	4-53 years
Plant and machinery	10 years
Motor vehicles	7 years
Office equipment and furniture	7 years
Leased assets	5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation only begins when the asset is available for use as envisaged by management; as such, capital work in progress is not subject to depreciation.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

1.6 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis to their estimated residual values, as follows:

Item	Useful life
Computer software, other	5 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such difference is recognised in surplus or deficit when the intangible asset is derecognised.

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset when it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value can be measured reliably.

Where the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 4 Heritage assets.

Initial measurement

Heritage assets are initially recognised at cost.

Where a heritage asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Subsequent measurement

Subsequent to initial measurement heritage assets are carried at cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that a heritage asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Accounting Policies

1.7 Heritage assets (continued)

Derecognition

Heritage assets are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loans and receivables	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost
Consumer receivables	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Finance lease liabilities	Financial liability measured at amortised cost
Trade payables	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Long term loans	Financial liability measured at amortised cost
Other payables	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measures at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial assets and financial liabilities initially at fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility in the case of a financial asset.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

1.8 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and building elements, the municipality assesses the classification of each element separately.

1.9 Leases (continued)

Finance leases - lessor

The municipality recognises finance lease receivables as assets in the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Any contingent rents are recognised separately as revenue in the period in which they are received.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for a nominal cost, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

1.10 Inventories (continued)

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.13 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

Accounting Policies

1.14 Accumulated surplus reserve

The municipality's surplus or deficit for the year is accumulated in the accumulated surplus reserve in the statement of changes in net assets.

1.15 Value-added Tax

The municipality accounts for value-added tax (VAT) on the payment basis.

1.16 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

1.16 Employee benefits (continued)

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.16 Employee benefits (continued)

Other long-term employee benefits

The municipality has an obligation to provide long-term service allowance benefits to all of its employees. According to the rules of the long-term service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than twelve months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

1.17 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Accounting Policies

1.17 Provisions and contingencies (continued)

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating expenditure.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the municipality:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability:
- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

1.17 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.18 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

Revenue arising from the use by others of municipality assets yielding interest, royalties and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.19 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the municipality.

1.19 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes (Property rates for municipalities)

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Collection charges and penalties

Collection charges and penalty interest is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements (if applicable).

1.19 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the fines are being issued.

Where the municipality collects fines in the capacity of an agent, the fines will not be revenue of the municipality.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised as revenue but are disclosed as a note.

Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

1.20 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving raise to the transfer occurred.

1.24 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

1.25 Budget information

The approved budget is prepared on the accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2013/07/01 to 2014/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.26 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management is those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.27 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements.

Events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the financial statements.

1.28 Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Accounting Policies

1.28 Offsetting (continued)

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

Figures in Rand	2014	2013

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when the municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The standard states the recognition, measurement and disclosure requirements of:

- short-term employee benefits;
  - all short-term employee benefits;
  - short-term compensated absences;
  - bonus, incentive and performance related payments;
- post-employment benefits: Defined contribution plans;
- other long-term employee benefits; and
- termination benefits.

The major difference between this standard (GRAP 25) and IAS 19(R) is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

All amendments to be applied retrospectively.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has adopted the standard for the first time in the 2014 annual financial statements.

The impact of the standard is not material.

GRAP 1 (as revised 2012): Presentation of Financial Statements

Minor amendments were made to the statement of financial performance as well as the statement of changes in net assets.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Amendments were made to changes in accounting policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a standard of GRAP would otherwise require or permit to be measured at fair value is no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Amendments were made to the scope and definitions.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 12 (as revised 2012): Inventories

Amendments were made to measurement after recognition.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 13 (as revised 2012): Leases

Amendments were made to disclosures.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 16 (as revised 2012): Investment Property

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Amendments were made to measurement at recognition, disposals and disclosure. Changes were made to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle has been clarified.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

IGRAP 1 (as revised 2012): Applying the Probability Test on Initial Recognition of Revenue

This interpretation now addresses the manner in which the municipality applies the probability test on initial recognition of both:

(a) exchange revenue (GRAP 9); and
(b) non-exchange revenue (GRAP 23).

All amendments to be applied prospectively.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality has adopted the interpretation for the first time in the 2014 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

IGRAP 16: Intangible Assets - Website Costs

The interpretation deals with the treatment of the municipality's own website. It concludes that the municipality's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, the municipality can satisfy the requirements in paragraph .54, which in particular requires the municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If the municipality is not able to demonstrate how a website developed solely and primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

A website that is recognised as an intangible asset under this interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

Interpretation to be applied retrospectively.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality has adopted the interpretation for the first time in the 2014 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between the amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it become effective.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between the amount of consideration paid, if any, and the carrying amounts of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For a transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 107: Mergers

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, acquirer can be identified and the combining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 20: Related Parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality (in this standard referred to as the reporting entity) applies this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in bullet one and two is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:
- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The standard states that a related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:
- control;
- related party transactions; and
- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

PPP agreements that are governed and regulated in terms of the PFMA and MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, by-laws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables because they arise as a result of specific legislative requirements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this interpretation need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time once it becomes effective.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 5 (revised 2013): Borrowing Costs

Benchmark treatment is to recognise borrowing costs as an expense.

Allowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. All other instances, expense borrowing costs.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality expects to adopt the amendment for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 100 (revised 2013): Discontinued Operations

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

All accounting, presentation and disclosure requirements with regards to non-current assets held for sale (or disposal groups) have been deleted. The impact of the amendments is:

- Will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.
- Certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on Presentation of Financial Statements.

Measurement requirements are to be applied prospectively and presentation and disclosure requirements are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality expects to adopt the amendment for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

3. Property, plant and equipment

	2014			2013		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land and buildings	374 869 452	(90 408 049)	284 461 403	341 177 098	(83 151 624)	258 025 474
Motor vehicles	14 835 411	(8 178 355)	6 657 056	13 954 256	(7 454 518)	6 499 738
Infrastructure	411 925 726	(135 317 786)	276 607 940	394 005 974	(122 349 905)	271 656 069
Other equipment	18 460 943	(13 516 914)	4 944 029	15 636 562	(10 962 065)	4 674 497
Work in progress	58 613 415	-	58 613 415	69 376 188	-	69 376 188
Finance leased assets	15 717 241	(3 872 327)	11 844 914	6 381 189	4 676 937	11 058 126
Total	**894 422 188**	**(251 293 431)**	**643 128 757**	**840 531 267**	**(219 241 175)**	**621 290 092**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land, buildings and infrastructure	537 611 754	12 230 424	-	34 906 270	2 840 364	(28 850 461)	558 738 351
Plant and machinery	1 331 099	630 238	-	737 454	-	(557 036)	2 141 755
Motor vehicles	6 499 738	445 219	(367 452)	1 491 999	-	(1 412 448)	6 657 056
Office equipment	2 801 788	1 133 778	-	(193 634)	-	(939 655)	2 802 277
Capital work in progress	69 376 188	21 474 302	-	(36 919 358)	-	-	53 931 132
Finance leased assets	1 506 011	11 539 350	(39 611)	(515 113)	-	(645 723)	11 844 914
Landfill site	2 163 514	-	-	492 382	4 397 043	(39 665)	7 013 274
	621 290 092	**47 453 311**	**(407 063)**	**-**	**7 237 407**	**(32 444 988)**	**643 128 759**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Additions at fair market value	Disposals	Transfers	Depreciation	Impairment loss	Total
Land, buildings and infrastructure	566 007 601	273 093	-	(1 876 630)	1 228 071	(28 020 381)	-	537 611 754
Plant and machinery	2 223 011	230 303	19 446	(218 028)	-	(920 467)	(3 166)	1 331 099
Motor vehicles	7 386 598	649 040	-	-	-	(1 535 900)	-	6 499 738
Landfill	3 130 625	-	122 402	(71 282)	-	(379 957)	-	2 801 788
Capital work in progress	40 653 704	28 722 484	-	-	-	-	-	69 376 188
Finance leased assets	2 118 759	-	-	(51 908)	-	(560 840)	-	1 506 011
Landfill site	2 203 351	-	-	-	-	(39 837)	-	2 163 514
	623 723 649	**29 874 920**	**141 848**	**(2 217 848)**	**1 228 071**	**(31 457 382)**	**(3 166)**	**621 290 092**

Figures in Rand	2014	2013

3. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Finance leased assets	11 844 914	1 506 011

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

4. Heritage assets

	2014			2013		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	8 244 763	-	8 244 763	8 244 763	-	8 244 763

Reconciliation of heritage assets 2014

	Opening balance	Total
Historical buildings	8 244 763	8 244 763

Reconciliation of heritage assets 2013

	Opening balance	Total
Historical buildings	8 244 763	8 244 763

Heritage assets which fair values cannot be reliably measured

Transitional provisions

Heritage assets recognised at provisional amounts

In accordance with the transitional provisions as per Directive 2 of the GRAP Reporting Framework, as disclosed in note , certain heritage asset with a carrying value of R 8 244 763 (2013: R 8 244 763) was recognised at provisional amounts. Carrying amounts of heritage asset carried at provisional amounts are as follows:

Due to initial adoption of GRAP 103

Steps taken to establish the values of heritage asset recognised at provisional amounts due to the initial adoption of GRAP 103, is as follows:

Heritage assets were valued by an independent valuer. These values were determined upon initial recognition of property, plant and equipment in terms of GRAP 17. Due to the change in accounting policy, heritage assets were recognised at the deemed cost determined with the adoption of GRAP 17. Certain assets were determined at a provisional value in terms of the transitional provisions applicable to the new adoption of GRAP 103.

The date at which full compliance with GRAP 103 is expected, is 30 June 2015.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

5. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 283 865	(952 288)	331 577	1 275 113	(836 679)	438 434

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	438 434	8 750	(115 607)	331 577

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	185 775	310 280	(57 621)	438 434

6. Financial assets

Assets held at amortised cost

	2014	2013
Current portion		
ABSA call account - account number 9106646490	956	1 252
FNB 32 day call - Housing Operating - account number 74407973409	2 120 241	2 018 390
FNB call account - account number 74453547422	6 076 932	-
FNB call account - account number 62033811995	3 124 373	57 703
FNB fixed deposit - account number 71048724530	11 000	-
FNB land sales - account number 62216019019	1 201 947	1 162 814
FNB money market - INEP - account number 62347581060	4 837 200	526 603
FNB money market - MIG - account number 62281385130	7 015 250	1 599 340
FNB money market - NDPG - account number 62232266991	31 007	10 461 537
FNB money market - Small Town Rehabilitation - account number 62347582050	6 659 816	9 266 769
FNB MSIG - account number 62216024737	484 737	2 408 586
Standard Bank - account number 75075646	12 528	-
	31 575 987	**27 502 994**
Non-current portion		
Nedbank fixed deposits - account number 19542952	22 063	22 063
Borough of Dundee - certificate number B719	-	7 200
Standard Bank - account number 75075646	-	12 528
FNB fixed deposit - account number 71021254116	36 246	36 246
FNB fixed deposit - account number 71048724530	-	11 000
FNB fixed deposit - account number 71066697123	14 000	14 000
	72 309	**103 037**

None of these assets are pledged as security.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in Rand	2014	2013

7. Cash and cash equivalents (continued)

	2014	2013
Cash on hand	8 738	6 738
Cash book balances	7 340 329	13 516 735
	7 349 067	**13 523 473**

Cash and cash equivalents pledged as collateral

The bank account was not pledged as security.

The municipality had the following bank account

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
First National Bank - Current account - 522000363994	7 957 943	13 993 617	14 743 109	7 340 329	13 516 735	13 357 709

8. Consumer receivables from exchange transactions

	2014	2013
Gross balances		
Electricity	11 954 447	7 276 582
Refuse	9 385 556	9 568 972
Sundry debtors	2 882 451	3 523 041
	24 222 454	**20 368 595**
Less: Allowance for impairment		
Electricity	(1 629 002)	(2 381 201)
Refuse	(8 747 862)	(9 032 379)
Sundry debtors	(2 600 496)	(3 321 076)
	(12 977 360)	**(14 734 656)**
Net balance		
Electricity	10 325 445	5 513 714
Refuse	637 694	536 594
Sundry debtors	281 955	201 965
	11 245 094	**6 252 273**
Electricity		
Current (0 -30 days)	9 382 178	4 508 824
31 - 60 days	520 937	1 004 890
61 - 90 days	422 330	-
	10 325 445	**5 513 714**
Refuse		
Current (0 -30 days)	277 146	319 708
31 - 60 days	185 303	216 886
61 - 90 days	175 245	-
	637 694	**536 594**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

8. Consumer receivables from exchange transactions (continued)

Other (specify)		
Current (0 -30 days)	190 443	116 068
31 - 60 days	64 721	85 897
61 - 90 days	26 791	-
	281 955	**201 965**

Summary of receivables (exchange and non exchange) by customer classification

Consumers		
Current (0 -30 days)	5 425 354	2 985 733
31 - 60 days	960 429	917 090
61 - 90 days	860 679	833 261
> 90 days	48 229 905	48 740 174
	55 476 367	**53 476 258**
Industrial/ commercial		
Current (0 -30 days)	5 193 193	3 959 915
31 - 60 days	755 653	887 707
61 - 90 days	558 434	415 817
> 90 days	8 103 412	3 932 801
	14 610 692	**9 196 240**
National and provincial government		
Current (0 -30 days)	1 574 797	419 213
31 - 60 days	2 637 405	268 660
61 - 90 days	934 384	25 873
> 91 days	17 249 376	9 188 602
	22 395 962	**9 902 348**
Total (exchange and non-exchange)		
31 - 60 days	12 844 959	7 990 955
61 - 90 days	5 229 833	2 583 210
91 - 120 days	2 527 715	2 018 344
121 - 365 days	73 633 010	65 432 209
	94 235 517	78 024 718
Less: Allowance for impairment	(38 764 965)	(34 913 137)
	55 470 552	**43 111 581**
Sundry		
Less: Allowance for impairment	651 615	626 093
31 - 60 days	876 345	509 753
61 - 90 days	174 219	743 393
91 - 120 days	50 317	3 570 633
	1 752 496	**5 449 872**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(14 116 323)	(15 189 121)
Contributions to allowance	(13 595 693)	(14 734 656)
Reversal of allowance	14 734 656	15 189 121
	(12 977 360)	**(14 734 656)**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

8. Consumer receivables from exchange transactions (continued)

Receivables from exchange transactions past due but not impaired

At 30 June 2014, R 42 625 592 (2013: R 35 120 457) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

	2014	2013
1 month past due	5 229 833	2 583 210
2 months past due	2 527 715	1 315 857
3 months past due	34 868 045	31 221 390

Receivables from exchange transactions impaired

As of 30 June 2014, receivables from exchange transactions of R 38 764 965 (2013: R 30 378 242) were impaired and provided for.

The ageing of these receivables is as follows:

	2014	2013
Less than 3 months but highly improbable	-	3 691 747
Over 3 months	38 764 965	31 221 390

9. Other receivables from exchange transactions

	2014	2013
Stamps on hand	2 036	2 036
Department of health	295 445	295 445
	297 481	**297 481**

10. Receivables from non-exchange transactions

	2014	2013
Property rates	44 225 458	36 859 322

	2014	2013
Property rates: Gross balance	70 041 670	57 656 123
Property rates: Allowance for impairment	(25 787 605)	(20 796 814)
Property rates: Net balance	44 225 458	36 859 309

Reconciliation of allowance for impairment

	2014	2013
Opening balance	(20 796 814)	(15 189 121)
Provision for impairment	(25 787 605)	(20 796 814)
Unused amounts reversed	20 796 814	15 189 121
	(25 787 605)	**(20 796 814)**

11. Loans and receivables

	2014	2013
At amortised cost		
Loans and receivables	507 847	554 641
The loans are secured by the land sold. No provisions have been made for doubtful debts as the debts owing are considered recoverable.		
	-	-
	-	-
	507 847	554 641

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

11. Loans and receivables (continued)

Current assets		
At amortised cost	507 847	554 641
Non-current assets	-	-
Current assets	507 847	554 641

12. Inventories

Consumable stores	1 323 370	1 487 716

13. VAT receivable (payable)

VAT	16 144 974	13 188 933

14. Finance lease obligation

Minimum lease payments due		
- within one year	4 787 544	889 922
- in second to fifth year inclusive	14 839 247	1 657 207
	19 626 791	2 547 129
less: future finance charges	(5 287 181)	(766 807)
Present value of minimum lease payments	**14 339 610**	**1 780 322**

Present value of minimum lease payments due		
- within one year	3 032 408	534 065
- in second to fifth year inclusive	11 307 202	1 246 257
	14 339 610	**1 780 322**

Non-current liabilities	11 307 202	1 246 257
Current liabilities	3 032 408	534 065
	14 339 610	**1 780 322**

The above leases relate to the lease of municipal motor vehicles and equipment.

Interest rates are linked to prime at the contract date. Contingent rents have been recognised as an expense R Nil (2013: R315,521) as a result of certain conditions in the contract.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. The leased assets are indicated in note 3 and annexure B.

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Good governance grant	84 547	84 547
Municipal Infrastructure Grant (MIG)	5 482 793	1 263 293
Neighbourhood development partnership grant	-	7 439 585
Small town rehabilitation grant	11 599 065	7 528 124
Sport infrastructure grant	108 617	525 000
INEP	1 644 471	-
MSIG	2 450	-
	18 921 943	**16 840 549**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

15. Unspent conditional grants and receipts (continued)

Movement during the year

	2014	2013
Balance at the beginning of the year	16 840 549	16 044 682
Additions during the year	74 033 000	35 887 000
Income recognition during the year	(71 951 606)	(32 991 133)
Returned to National Treasury	-	(2 100 000)
	18 921 943	**16 840 549**

See note 25 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

16. Long term loan

The municipality has received three loans from the Development Bank of Southern Africa (DBSA). The three loans fund the implementation of the new municipal property rates act (valuation roll), the purchase of plant and equipment, and the upgrade of the electricity infrastructure. The loan term of the property valuation loan was 4 years, repayable in 2013, the loan term for the plant and equipment is 10 years and the term for the electricity infrastructure is 20 years. The interest rate is 6.75%.

	2014	2013
Non-current portion	8 002 068	8 727 956
Current portion	366 635	929 782
	8 368 703	**9 657 738**

17. Deposits on sale of land

	2014	2013
Deposits received for the sale of land	733 660	-

18. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Legal proceedings	38 235	-	38 235
Provision for landfill site	532 400	4 420 134	4 952 534
	570 635	**4 420 134**	**4 990 769**

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Legal proceedings	103 616	38 235	(103 616)	38 235
Provision for landfill site	484 000	48 400	-	532 400
	587 616	**86 635**	**(103 616)**	**570 635**

The landfill site provision is a provision to rehabilitate the landfill site. The landfill site currently has an estimated useful life of 20 years. A valuation for the rehabilitation of the landfill site was conducted by the municipality and certified by authorised civil engineers.

The legal provision is in relation to the telkom lines that were cut by civil department when they were digging to fix the road

19. Consumer deposits

	2014	2013
Electricity	3 040 779	2 844 579

19. Consumer deposits (continued)

Guarantees held in lieu of electricity deposits R1,885,165 (2013: R1,885,165)

20. Employee benefit obligations

Defined benefit plan

Post retirement benefit plan

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the pension fund for municipal councillors.

Employees belong to a variety of approved pension and provident funds.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes. All of these funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:
(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer. The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by One Pangea Financial. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The plan is a post employment medical benefit plan.

Key assumptions used

Assumptions used at the reporting date:

Discount rates used (D)	8,59 %	7,25 %
Consumer price inflation (C)	6,36 %	6,25 %
Health care cost inflation (H)	7,86 %	6,75 %
Salary inflation (S)	- %	7,15 %
Net Discount rate ((1+D)/(1+H)-1)	0,68 %	0,47 %

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

20. Employee benefit obligations (continued)

Present value of the defined benefit obligation	(16 766 000)	(15 122 000)
Short term portion of retirement benefit obligations	(1 103 000)	(981 000)
Long term portion of retirement benefit obligations	(15 663 000)	(14 141 000)
	(16 766 000)	**(15 122 000)**

21. Housing operating account

Housing operating account	1 095 260	1 095 260

22. Revenue

Rendering of services	2 136 652	2 128 637
Service charges	175 220 102	163 354 770
Licences and permits	4 853 595	4 705 421
Administration and management fees received	1 720	2 200
Fees earned	46 067	29 780
Rental income	463 433	387 449
Other income	1 043 355	672 005
Interest received - investment	2 442 844	2 261 109
Property rates	60 174 153	38 105 895
Property rates - penalties imposed	7 164 545	5 597 986
Government grants & subsidies	71 951 607	66 893 132
Fines	100 975	46 265
	325 599 048	**284 184 649**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	175 220 102	163 354 770
Rendering of services	2 136 652	2 128 637
Licences and permits	4 853 595	4 705 421
Administration and management fees received	1 720	2 200
Fees earned	46 067	29 780
Rental income	463 433	387 449
Other income	1 043 355	672 005
Interest received - investment	2 442 844	2 261 109
	186 207 768	**173 541 371**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	60 174 153	38 105 895
Property rates - penalties imposed	7 164 545	5 597 986
Transfer revenue		
Government grants & subsidies	71 951 607	66 893 132
Fines	100 975	46 265
	139 391 280	**110 643 278**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

23. Property rates

Rates received

Property rates	92 592 250	69 040 278
Less: Income forgone	(32 418 097)	(30 934 383)
	60 174 153	38 105 895
Property rates - penalties imposed	7 164 545	5 597 986
	67 338 698	**43 703 881**

Valuations

Agriculture	643 174 000	507 914 000
Agriculture smallholding	116 207 000	93 969 000
Commercial	453 067 000	351 249 000
Communal property association	265 797 000	170 321 000
Industrial	396 560 000	354 378 000
Institutional	19 392 000	22 812 000
Municipal	179 075 400	214 752 333
Conservation - Nema	10 000 000	7 005 000
Public benefit organisation	830 000	1 700 000
Public service infrastructure	40 662 000	44 444 845
Recreational club	1 751 000	-
Residential	1 744 225 500	1 596 866 120
Informal residential	21 938 000	-
Residential hospitality	27 225 000	24 280 000
Sectional title - commercial	12 765 000	11 739 000
Sectional title - residential	63 180 000	55 851 000
Sectional title - residential hospitality	2 450 000	2 043 000
State owned	796 681 000	291 337 000
Place of worship	69 003 000	50 892 000
	4 863 982 900	**3 801 553 298**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an a monthly basis and are payable on the 1st of each month. Interest at 1.5% per annum (2013: 1.5%) and a collection fee of 10% (2013: 10%), is levied on rates outstanding one month after due date.

The new general valuation will be implemented on 01 July 2017.

24. Service charges

Sale of electricity	168 690 974	158 001 338
Refuse removal	6 529 128	5 353 432
	175 220 102	**163 354 770**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

25. Government grants and subsidies

Operating grants		
Caretaker maintainance grant	300 000	-
Community library services grant	240 000	-
Department of health grant	-	1 413 000
Equitable share	33 196 000	29 647 000
EPWP grant	1 000 000	-
Finance management grant	1 550 000	1 500 000
Municipal systems improvement grant	887 550	800 000
Museum	568 000	268 000
National youth development grant	-	1 680 000
Provicialisation of libraries	1 878 000	894 000
Sports infrastructure grant	1 466 383	-
	40 545 933	34 789 000
Capital grants		
INEP	10 555 529	3 994 575
Municipal infrastructure grant	10 941 500	13 237 969
Neighbourhood development partnership grant	7 439 585	6 195 196
Small town rehabilitation grant	1 929 060	7 263 392
	20 310 145	26 696 557
	71 951 607	**66 893 132**

Caretaker maintainance grant

Current-year receipts	300 000	-
Conditions met - transferred to revenue	(300 000)	-
	-	-

To provide support to primary caretakers.

Community library services

Current-year receipts	240 000	-
Conditions met - transferred to revenue	(240 000)	-
	-	-

To support the provision of community library services.

EPWP grant

Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(1 000 000)	-
	-	-

To implement part of the Expanded Public Works Programme.

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. 100% of the grant is used to subside the indigent community members.

Finance management grant

Balance unspent at beginning of year	-	1 500 000
Current-year receipts	1 550 000	-

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

25. Government grants and subsidies (continued)

Conditions met - transferred to revenue	(1 550 000)	(1 500 000)
	-	-

The main objective of this grant is to assist in the rollout of financial management reforms embodied in the MFMA through capacity building in financial management.

Good governance grant

Balance unspent at beginning of year	84 547	84 547

Conditions still to be met - remain liabilities (see note 15).

This grant is used to assist the municipality in achieving good governance.

INEP

Balance unspent at beginning of year	-	3 994 575
Current-year receipts	12 200 000	-
Conditions met - transferred to revenue	(10 555 529)	(3 994 575)
	1 644 471	-

Conditions still to be met - remain liabilities (see note 15).

This grant is used for the installation, rehabilitation and refurbishment of electricity infrastructure at a local level to support sustained supply of electricity and to eradicate the electrification backlogs.

MAP grant

Balance unspent at beginning of year	-	210 291
Conditions met - transferred to revenue	-	(210 291)
	-	-

The management assistance programme is funding from provincial government used to assist in the areas of financial management and other capital projects required to ensure the financial viability of the municipality.

Municipal infrastructure grant (MIG)

Balance unspent at beginning of year	1 263 293	1 206 091
Current-year receipts	15 161 000	12 749 000
Conditions met - transferred to revenue	(10 941 500)	(12 691 798)
	5 482 793	**1 263 293**

Conditions still to be met - remain liabilities (see note 15).

This grant is used to address backlogs in municipal infrastructure required for the provision of basic services. It is currently used for the construction of gravel roads, building of creches and for fencing of the landfill site.

MSIG

Current-year receipts	890 000	-
Conditions met - transferred to revenue	(887 550)	-
	2 450	-

Conditions still to be met - remain liabilities (see note 15).

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

25. Government grants and subsidies (continued)

This grant is used for infrastructure, capacity building and restructuring. The capacity building and restructuring grants were set up to assist the municipality in developing their planning, budgeting, financial management and technical skills.

Museum grant

Current-year receipts	568 000	-
Conditions met - transferred to revenue	(568 000)	-
	-	-

This grant is used to manage and maintain the museums in the municipality.

Neighbourhood development partnership grant

Balance unspent at beginning of year	7 439 585	5 167 953
Funds returned to National Treasury	-	(2 100 000)
Current year receipts	-	11 113 000
Conditions met - transferred to revenue	(7 439 585)	(6 741 368)
	-	**7 439 585**

This grant is utilised for neighbourhood upliftment and advancement.

Provincialisation of libraries

Current-year receipts	1 878 000	-
Conditions met - transferred to revenue	(1 878 000)	-
	-	-

This loan is used to restructuring the operation of libraries.

Small town rehabilitation grant

Balance unspent at beginning of year	7 528 124	5 591 516
Current-year receipts	6 000 000	9 200 000
Conditions met - transferred to revenue	(1 929 059)	(7 263 392)
	11 599 065	**7 528 124**

Conditions still to be met - remain liabilities (see note 15).

This grant is allocated to small towns to rejuvenate and encourage growth.

Sport infrastructure grant

Balance unspent at beginning of year	525 000	-
Current-year receipts	1 050 000	525 000
Conditions met - transferred to revenue	(1 466 383)	-
	108 617	**525 000**

Conditions still to be met - remain liabilities (see note 15).

This grant is used for the upgrading of sport facilities.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

26. Investment revenue

Interest revenue		
Bank	524 394	690 339
Interest charged on trade and other receivables	668 065	832 745
Interest received from investments	1 196 383	672 387
Interest received from land sales	54 002	65 638
	2 442 844	**2 261 109**
	-	-
	2 442 844	2 261 109

27. Employee related costs

Basic	45 232 959	40 554 636
Bonus	3 989 444	4 087 824
Car allowance	1 660 892	1 694 427
Group life insurance	365 200	283 240
Housing benefits and allowances	222 868	235 346
Leave pay accrual charge	1 776 252	(272 270)
Long-service awards	3 000	9 000
Medical aid - company contributions	3 510 245	2 769 052
Other allowances	905 276	769 741
Other payroll levies	30 105	25 456
Overtime payments	2 882 673	2 068 912
Pension funds	7 563 769	6 053 199
Post-employment benefits	1 644 000	2 521 000
Redemption of leave	279 459	358 568
SDL	600 461	551 392
UIF	450 067	391 798
	71 116 670	**62 101 321**

Remuneration of Ms PN Njoko - Municipal Manager

Annual remuneration	1 011 722	951 761
Leave pay	-	57 196
Travel allowance	10 638	5 390
Unemployment insurance fund	1 785	1 689
	1 024 145	**1 016 036**

Remuneration of Mr MJ Zulu - Chief Financial Officer

Annual remuneration	380 100	-
Subsistence allowances	17 988	-
Travel allowance	112 000	-
Telephone allowance	15 292	-
Unemployment insurance fund	1 041	-
	526 421	**-**

During the year, Mrs N Thomas vacated her office as at 31 August 2013, and Mr MJ Zulu took over as Chief Financial Officer as of 25 November 2013.

Remuneration of Mrs N Thomas - Chief Finance Officer

Annual remuneration	105 369	602 959
Travel allowance	36 000	177 459
Unemployment insurance fund	297	1 689
	141 666	**782 107**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

27. Employee related costs (continued)

Remuneration of Mr EH Dladla - Director Planning, Economic and Social Services

Annual Remuneration	501 000	501 816
Housing allowance	86 665	85 712
Telephone allowance	31 050	30 978
Travel allowance	172 750	167 926
Acting allowance	40 000	7 113
13 cheque	41 750	-
Subsistence and travelling	1 639	8 430
Unemployment insurance fund	1 785	1 689
	876 639	**803 664**

Remuneration of Mr HB Chotoo - Director Corporate Services

Annual remuneration	659 304	620 230
Acting CFO allowance	1 419	-
Subsistence and travelling	35 012	38 078
Unemployment insurance fund	1 785	1 689
	697 520	**659 997**

Remuneration of Mr PPS Zamisa - Director Technical Services

Annual remuneration	290 556	431 224
Housing allowance	9 395	2 349
Telephone allowance	6 400	6 658
Travel allowance	120 000	180 000
Leave pay	67 299	-
Unemployment insurance fund	1 338	1 689
	494 988	**621 920**

Mr PPS Zamisa vacated his office on 21 February 2013 and his outstanding leave was settled.

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations and as determined by Government Gazette 37281, 29 January 2014.

28. Remuneration of councillors

Mayor	442 060	421 010
Deputy mayor	318 838	321 782
Executive committee members	182 350	174 117
Speaker	353 649	336 808
Councillors	1 592 286	1 577 752
Councillors' pension contribution	429 379	403 954
Councillors allowances	1 717 549	1 365 789
	5 036 111	**4 601 212**

28. Remuneration of councillors (continued)

In-kind benefits

The mayor, deputy mayor, and speaker are full-time councillors. Each is provided with an office and secretarial support at the cost of the council.

The mayor has the use of a council owned vehicle and council owned back-up vehicle for official duties.

The mayor has four full-time bodyguards. The deputy mayor and speaker have two full-time bodyguards each.
Salaries , allowances and benefits of councillors as disclosed in note 28 of this financial statements are within the upper limits of the Framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Corporate Governance and Traditional Affairs determined in accordance with this act.

Executive Mayor	Basic	Travel Allowance	Contributions to Medical and Pension Funds	Total
Dlamini, BD	442 060	203 525	66 309	711 894
Total	442 060	203 525	66 309	711 894

Speaker	Basic	Travel Allowance	Contributions to Medical and Pension Funds	Total
Nunes, CJS	353 649	160 033	53 047	566 729
Total	353 649	160 033	53 047	566 729

Councillors	Basic	Travel Allowance	Contributions to Medical and Pension Funds	Total
Chetty, U	34 937	19 790	4 973	59 700
Dladla, BS	132 618	75 305	19 893	227 816
Dlamini, BA	318 838	150 935	47 826	517 599
Dubazane, TC	132 618	75 305	19 893	227 816
Duma, TG	132 618	75 305	19 893	227 816
Gericke, RP	132 618	75 305	19 893	227 816
Lite, E	132 618	75 305	19 893	227 816
Magubane, SD	132 618	77 696	19 893	230 207
Majola, EM	182 350	111 465	27 352	321 167
Mchunu, ME	132 618	75 305	19 893	227 816
Mlambo, SM	132 618	75 305	19 893	227 816
Mlele, SC	132 618	75 305	19 893	227 816
Sulieman, B	152 511	75 305	-	227 816
Vahed, DM	71 300	40 487	11 052	122 839
Vilakazi, KA	132 618	75 305	19 893	227 816
Zwane, Z	132 618	75 305	19 893	227 816
	2 218 734	**1 228 728**	**310 026**	**3 757 488**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

29. Depreciation and amortisation

Property, plant and equipment	32 444 990	31 457 382
Intangible assets	115 607	57 621
	32 560 597	**31 515 003**

30. Impairment of assets

Impairments		
Property, plant and equipment	-	3 166
	-	3 166
	-	-

31. Finance costs

Finance leases	1 625 403	683 194
Unwinding discount - landfill site	23 089	48 400
Other interest paid	11 766	82 264
	1 660 258	**813 858**

32. Debt impairment

Contributions to allowance for impairment	3 851 829	5 872 703
Debts impaired	10 600 279	584 078
	14 452 108	**6 456 781**

The provision for impairment for 2014: R38,764,965.48 (2013: R34,913,137) was raised and the prior year provision reversed. During the financial year, council had taken a resolution to write off debt of R10,600,279 (2013: R584,078).

33. Bulk purchases

Electricity	132 912 833	129 226 756

Electricity losses amounted to 8,792,234 KWH, or 4.328% of the total units purchased.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

34. General expenses

Advertising	512 741	266 998
Auditors remuneration	1 171 704	976 551
Bank charges	561 709	710 565
Chemicals	61 545	60 029
Cleaning	33 887	13 357
Commission paid	2 275 191	2 457 780
Consulting and professional fees	1 309 565	1 527 191
Donations	488 709	153 831
Electricity	1 536 453	1 496 031
Entertainment	60 017	77 066
Farming only	378 130	-
Fleet	449 357	571 671
Fuel and oil	2 018 109	2 007 236
Indigent burials	95 509	143 086
Internal audit fees	912 973	1 045 355
Insurance	1 021 175	777 687
IT expenses	89 075	29 655
Lease rentals on operating lease	2 072 942	1 781 753
Levies	(66 644)	495 404
Other expenses	1 560 650	939 779
Pest control	2 028	-
Postage and courier	337 960	337 400
Printing and stationery	535 678	549 961
Project maintenance costs	1 172 874	996 142
Promotions	21 023	20 000
Protective clothing	549 414	383 145
Public participation	101 964	40 863
Publicity	250 749	54 393
Refuse	236 807	209 956
Registration support fees	287 413	295 818
Rental and hire of plant and equipment	1 620 764	1 628 065
Security (Guarding of municipal property)	10 128 593	9 695 706
Software expenses	924 657	978 769
Staff bursaries	132 070	72 875
Telephone and fax	2 054 973	1 973 007
Youth development	2 995 049	-
Training	352 655	1 680 622
Travel - local	707 793	529 542
Updating asset register	378 962	-
Valuation roll expenses	729 569	2 425 901
Venue expenses	1 015 963	-
Water	1 355 434	1 409 845
	42 435 189	**38 813 035**

35. Auditors' remuneration

Fees	1 171 704	976 551

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

36. Financial instruments disclosure

Categories of financial instruments

2014

Financial assets

	At amortised cost	Total
Cash and cash equivalents	7 349 067	7 349 067
Consumer receivables from exchange transactions	11 245 094	11 245 094
Other receivables from exchange transactions	297 481	297 481
Receivables from non-exchange transactions	44 225 458	44 225 458
Loans and receivables	507 847	507 847
Investments	31 648 296	31 648 296
	95 273 243	**95 273 243**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	41 610 682	41 610 682
Consumer deposits	3 040 779	3 040 779
	44 651 461	**44 651 461**

2013

Financial assets

	At amortised cost	Total
Cash and cash equivalents	13 523 473	13 523 473
Consumer receivables from exchange transactions	6 252 273	6 252 273
Other receivables from exchange transactions	297 481	297 481
Receivables from non-exchange transactions	36 859 322	36 859 322
Loans and receivables	554 641	554 641
Investments	27 606 031	27 606 031
	85 093 221	**85 093 221**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	35 800 967	35 800 967
Consumer deposits	2 844 579	2 844 579
	38 645 546	**38 645 546**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

37. Cash generated from operations

Surplus (deficit)	8 548 196	(317 568)
Adjustments for:		
Depreciation and amortisation	32 560 597	31 515 003
Loss on sale of assets and liabilities	407 063	844 768
Adjustment to PPE	(2 840 363)	-
Finance costs	1 625 405	731 606
Impairment deficit	-	3 166
Debt impairment	14 452 108	6 456 781
Movements in retirement benefit assets and liabilities	1 644 000	2 521 000
Movements in provisions	4 420 134	(289 250)
Add back provision for landfill (capitalised portion)	(4 397 051)	-
Changes in working capital:		
Inventories	164 346	(937 997)
Other receivables from exchange transactions	-	1 042 364
Consumer debtors	(19 444 941)	23 093 138
Other receivables from non-exchange transactions	(7 366 136)	(36 859 322)
Payables from exchange transactions	5 809 716	8 592 386
VAT	(2 956 041)	(1 695 794)
Unspent conditional grants and receipts	2 081 394	795 867
Consumer deposits	196 200	224 294
	34 904 627	**35 720 442**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

38. Commitments

Commitments in respect of capital expenditure

- Approved and contracted for		
• Property, plant and equipment	18 002 344	26 503 663
- Approved but not yet contracted for		
• Property, plant and equipment	79 309 809	84 134 704

This expenditure will be financed from government grants.

The commitments relating to property, plant and equipment for 2013 were found to be misstated; the impact of this is shown below:

-Approved and contracted for:		
- As previously reported	-	39 564 313
- Correction of error	-	(13 060 650)
	-	**26 503 663**
- Approved but not yet contracted for		
- As previously reported	-	80 695 032
- Correction of error	-	3 439 672
	-	**84 134 704**

Commitments in respect of operating expenditure

Contractual commitments (operating in nature)	8 548 997	24 693 707

The commitments relating to property, plant and equipment for 2013 were found to be misstated; the impact of this is shown below:

Commitments in respect of operating expenditure		
- As previously reported	-	45 656 099
- Correction of error	-	(21 071 553)
	-	**24 584 546**

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	2 099 001	335 112
- in second to fifth year inclusive	3 434 823	-
	5 533 824	**335 112**

The municipality has operating leases with Wesbank for the lease of vehicles and the arrangements of the leases include:
- the basis on which contingent rent payable is determined,
- the existence and terms of renewal or purchase options and escalation clauses; and
- restrictions imposed by lease arrangements, such as those concerning return of net surplus, return of capital contributions, additional debt, and further leasing.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

39. Contingencies

The municipality is defending a matter against Construction Company for the amount R2 758 889. The company had requested an interdict to prevent the municipality from advertising certain developments that they believe they were awarded. The municipality is of the opinion that the company had breached its contract with the municipality. The outcome of the matter is not certain.

A firm of consultants was contracted to the uMtshezi Municipality to upgrade the Kwezi Hostel and are disputing the terms; the value of the disputed amount is R22,743. The matter has been referred to the attorneys and the outcome thereof is uncertain.

The publishing company claim that they prepared a publication for the municipality, but the municipality is disputing this. The value of the disputed amount is R67,249. The matter has been referred to the attorneys. The outcome of the matter is uncertain.

The municipality is disputing part of the invoice for the work done by a construction company. The value of the disputed amount is R151,652. The matter has been referred to the attorneys. The outcome of the matter is not certain.

40. Related parties

No related party transactions were noted.]

41. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: credit risk and liquidity risk and market risk, such as cash flow interest rate risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The municipality's financial liabilities are all classified as current liabilities, payable within the next 12 months, other than the finance leases and the long term loans, the maturity of which are discussed in the finance lease note and the long term loans note.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2014	2013
Cash and cash equivalents	7 349 067	13 523 473
Consumer receivables from exchange transactions	11 245 094	6 252 273
Other receivables from exchange transactions	297 481	297 481
Receivables from non-exchange transactions	44 225 458	36 859 322
Loans and receivables	507 847	554 641
Financial assets	31 648 296	27 606 031

Market risk

Figures in Rand	2014	2013

41. Risk management (continued)

Interest rate risk

As the municipality has few significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

42. Going concern

We draw attention to the fact that at 30 June 2014, the municipality had accumulated surplus of R 654 579 294 and that the municipality's total assets exceed its liabilities by R 655 674 554.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

43. Events after the reporting date

No events were noted after the reporting date.

44. Irregular expenditure

	2014	2013
Opening balance	1 938 788	-
Add: Irregular Expenditure - current year	1 322 300	12 792 802
Less: Amounts condoned	(1 938 788)	(2 291 738)
Corrected error	-	(8 562 276)
	1 322 300	**1 938 788**

Analysis of expenditure awaiting condonation per age classification

	2014	2013
Current year	1 322 300	1 938 788

Details of irregular expenditure – current year

Deviations from procurement policy	Condoned by council awaiting National Treasury approval	1 322 300

45. In-kind donations and assistance

Assistance was given to the Municipality by KZN Provincial Treasury to assist the Municipality with cashflow management.

46. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

	Value	No. of transactions
Emergency	128 997	10
Impractical or impossible to follow procurement process	175 348	26
Sole supplier	992 955	74
	1 297 300	**110**

47. Budget differences

Material differences between budget and actual amounts

Interest received:

There was interest received on external investments from the grants received. It was planned that all the grant funds would be fully utilised but there was R18 million recorded as unspent at the end of the financial year. The interest had accrued due to these funds being cash backed in investment accounts.

Property rates:

It was envisaged that a new supplementary roll, supplementary roll 1 of g.v roll 2 of 201/03/2014 would be issued during the financial year. This supplementary valuation roll was only issued by the municipal valuator after the financial year end.

Depreciation:

Some of the assets that were planned to be purchased from capital grants were not acquired. The funds allocated were recorded as unspent and the asset not purchased. This resulted in a decrease of the depreciation allocated.

Debt Impairment:

Each debtor had been analysed by a service provider in order to ascertain the provision for the debt impairment. All available databases had been scanned for debtors profiled. In terms of the analysis, the provision for the debt impairment was higher than budgeted.

Repairs and maintenance:

A bulk of the repairs and maintenance expenditure not utilised is from service connections. Money received from the prison for their service connections was receipted to this vote. The expenditure was not fully incurred as the job could not be completed within the financial year.

Personnel:

The Municipality had numerous key vacant positions which had to be filled during the financial year.

Schedule of external loans as at 30 June 2014

	Loan Number	Redeemable	Balance at 30 June 2013 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2014 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Development Bank of South Africa								
DBSA - MPRA Loan		2013	586 981	-	586 981	-	-	-
Loan 1 - Plant and Equipment	61000894	2021	6 332 168	-	620 364	5 711 804	-	-
Loan 2 - Electricity Upgrade	61000893	2031	2 738 590	-	81 691	2 656 899	-	-
			9 657 739	**-**	**1 289 036**	**8 368 703**	**-**	**-**
Lease liability								
Motswako, Wesbank, Fleet Africa			1 780 323	13 487 862	928 575	14 339 610	11 844 914	-
			1 780 323	**13 487 862**	**928 575**	**14 339 610**	**11 844 914**	**-**
Total external loans								
Development Bank of South Africa			9 657 739	-	1 289 036	8 368 703	-	-
Lease liability			1 780 323	13 487 862	928 575	14 339 610	11 844 914	-
			11 438 062	**13 487 862**	**2 217 611**	**22 708 313**	**11 844 914**	**-**

Umtshezi Local Municipality

Umtshezi Local Municipality

Appendix B
June 2014

Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	**Additions Rand**	**Disposals Rand**	**Transfers Rand**	**Revaluations Rand**	**Other changes, movements Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Disposals Rand**	**Transfers Rand**	**Depreciation Rand**	**Impairment loss Rand**	**Closing Balance Rand**	**Carrying value Rand**
Land and buildings														
Land (Separate for AFS purposes)	163 530 504	-	-	(1 228 071)	-	-	**162 302 433**	-	-	-	-	-	-	162 302 433
Landfill Sites (Separate for AFS pursoses)	3 018 055	4 397 048	-	(104 793)	-	-	**7 310 310**	(257 370)	-	-	(39 665)	-	**(297 035)**	7 013 275
Buildings (Separate for AFS purposes)	224 171 199	7 864 431	-	469 417	-	**(1 194 719)**	**231 310 328**	(73 654 023)	-	-	(12 085 159)	-	**(85 739 182)**	145 571 146
	390 719 758	**12 261 479**	-	**(863 447)**	-	**(1 194 719)**	**400 923 071**	**(73 911 393)**	-	-	**(12 124 824)**	-	**(86 036 217)**	**314 886 854**
Infrastructure														
Roads, Pavements & Bridges	258 746 519	19 101 705	-	863 448	-	**(647 200)**	**278 064 472**	(89 574 939)	-	-	(10 892 180)	-	**(100 467 119)**	177 597 353
Storm water	64 669 939	-	-	-	-	-	**64 669 939**	(14 368 840)	-	-	(2 389 914)	-	**(16 758 754)**	47 911 185
Transmission & Reticulation	77 294 674	9 211 882	-	-	-	-	**86 506 556**	(15 324 530)	-	-	(2 761 724)	-	**(18 086 254)**	68 420 302
Street lighting	164 986	644 954	-	-	-	-	**809 940**	-	-	-	(5 659)	-	**(5 659)**	804 281
	400 876 118	**28 958 541**	-	**863 448**	-	**(647 200)**	**430 050 907**	**(119 268 309)**	-	-	**(16 049 477)**	-	**(135 317 786)**	**294 733 121**
Community assets														
Parks & gardens	1 318 606	-	-	9 686	-	-	**1 328 292**	(147 543)	-	-	(132 985)	-	**(280 528)**	1 047 764
Sportsfields and stadiums	10 603 690	1 425 021	-	-	-	-	**12 028 711**	(3 134 684)	-	-	(508 327)	-	**(3 643 011)**	8 385 700
Swimming pools	78 990	139 017	-	-	-	-	**218 007**	(15 412)	-	-	(13 702)	-	**(29 114)**	188 893
Cemeteries	869 342	-	-	(9 738)	-	-	**859 604**	(358 367)	-	-	(60 811)	-	**(419 178)**	440 426
	12 870 628	**1 564 038**	-	**(52)**	-	-	**14 434 614**	**(3 656 006)**	-	-	**(715 825)**	-	**(4 371 831)**	**10 062 783**

Umtshezi Local Municipality
Appendix B
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Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	8 244 468	-	-	-	-	-	**8 244 468**	-	-	-	-	-	-	8 244 468
Other	295	-	-	-	-	-	**295**	-	-	-	-	-	-	295
	8 244 763	-	-	-	-	-	**8 244 763**	-	-	-	-	-	-	**8 244 763**
Specialised vehicles														
Refuse	2 865 802	-	-	-	-	-	**2 865 802**	(656 545)	-	-	(468 174)	-	**(1 124 719)**	1 741 083
Fire	1 096 663	-	-	-	-	-	**1 096 663**	(551 110)	-	-	(99 703)	-	**(650 813)**	445 850
Fire - leased	1 418 903	-	-	-	-	-	**1 418 903**	(840 570)	-	-	(141 493)	-	**(982 063)**	436 840
	5 381 368	-	-	-	-	-	**5 381 368**	**(2 048 225)**	-	-	**(709 370)**	-	**(2 757 595)**	**2 623 773**
Other assets														
General vehicles	11 030 045	445 219	(591 735)	(10 583)	-	-	**10 872 946**	(5 790 647)	224 283	8 113	(844 571)	-	**(6 402 822)**	4 470 124
Plant & equipment	5 016 035	630 238	-	(6 464)	-	-	**5 639 809**	(2 945 733)	-	4 715	(557 036)	-	**(3 498 054)**	2 141 755
Computer equipment	5 691 257	320 576	-	253 983	-	-	**6 265 816**	(4 927 037)	-	(42 422)	(225 214)	-	**(5 194 673)**	1 071 143
Furniture & fittings	3 274 709	137 936	-	(30 406)	-	-	**3 382 239**	(2 358 229)	-	24 731	(399 146)	-	**(2 732 644)**	649 595
Office equipment	1 637 685	59 526	-	732 818	-	-	**2 430 029**	(909 143)	-	(749 737)	(262 757)	-	**(1 921 637)**	508 392
Security measures	118 867	-	-	-	-	-	**118 867**	(110 637)	-	-	(3 210)	-	**(113 847)**	5 020
Bins and Containers	750	-	-	-	-	-	**750**	(750)	-	-	-	-	**(750)**	-
Other	5 694	615 740	-	2 001	-	-	**623 435**	(4 555)	-	(1 427)	(49 327)	-	**(55 309)**	568 126
General vehicles - leased	2 035 435	5 330 126	(208 064)	49	-	-	**7 157 546**	(1 731 261)	168 453	(1)	(348 114)	-	**(1 910 923)**	5 246 623
Office equipment - leased	1 899 504	1 301 524	-	(967 937)	-	-	**2 233 091**	(1 605 835)	-	782 608	(67 387)	-	**(890 614)**	1 342 477
Other equipment - leased	-	4 907 700	-	-	-	-	**4 907 700**	-	-	-	(88 730)	-	**(88 730)**	4 818 970
	30 709 981	**13 748 585**	**(799 799)**	**(26 539)**	-	-	**43 632 228**	**(20 383 827)**	**392 736**	**26 580**	**(2 845 492)**	-	**(22 810 003)**	**20 822 225**

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Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	390 719 758	12 261 479	-	(863 447)	-	(1 194 719)	400 923 071	(73 911 393)	-	-	(12 124 824)	-	(86 036 217)	314 886 854
Infrastructure	400 876 118	28 958 541	-	863 448	-	(647 200)	430 050 907	(119 268 309)	-	-	(16 049 477)	-	(135 317 786)	294 733 121
Community assets	12 870 628	1 564 038	-	(52)	-	-	14 434 614	(3 656 006)	-	-	(715 825)	-	(4 371 831)	10 062 783
Heritage assets	8 244 763	-	-	-	-	-	8 244 763	-	-	-	-	-	-	8 244 763
Specialised vehicles	5 381 368	-	-	-	-	-	5 381 368	(2 048 225)	-	-	(709 370)	-	(2 757 595)	2 623 773
Other assets	30 709 981	13 748 585	(799 799)	(26 539)	-	-	43 632 228	(20 383 827)	392 736	26 580	(2 845 492)	-	(22 810 003)	20 822 225
	848 802 616	**56 532 643**	**(799 799)**	**(26 590)**	**-**	**(1 841 919)**	**902 666 951**	**(219 267 760)**	**392 736**	**26 580**	**(32 444 988)**	**-**	**(251 293 432)**	**651 373 519**
Intangible assets														
Computers - software & programming	1 275 114	8 750	-	-	-	-	1 283 864	(836 680)	-	-	(115 608)	-	(952 288)	331 576
	1 275 114	**8 750**	**-**	**-**	**-**	**-**	**1 283 864**	**(836 680)**	**-**	**-**	**(115 608)**	**-**	**(952 288)**	**331 576**
Total														
Land and buildings	390 719 758	12 261 479	-	(863 447)	-	(1 194 719)	400 923 071	(73 911 393)	-	-	(12 124 824)	-	(86 036 217)	314 886 854
Infrastructure	400 876 118	28 958 541	-	863 448	-	(647 200)	430 050 907	(119 268 309)	-	-	(16 049 477)	-	(135 317 786)	294 733 121
Community assets	12 870 628	1 564 038	-	(52)	-	-	14 434 614	(3 656 006)	-	-	(715 825)	-	(4 371 831)	10 062 783
Heritage assets	8 244 763	-	-	-	-	-	8 244 763	-	-	-	-	-	-	8 244 763
Specialised vehicles	5 381 368	-	-	-	-	-	5 381 368	(2 048 225)	-	-	(709 370)	-	(2 757 595)	2 623 773
Other assets	30 709 981	13 748 585	(799 799)	(26 539)	-	-	43 632 228	(20 383 827)	392 736	26 580	(2 845 492)	-	(22 810 003)	20 822 225
Intangible assets	1 275 114	8 750	-	-	-	-	1 283 864	(836 680)	-	-	(115 608)	-	(952 288)	331 576
	850 077 730	**56 541 393**	**(799 799)**	**(26 590)**	**-**	**(1 841 919)**	**903 950 815**	**(220 104 440)**	**392 736**	**26 580**	**(32 560 596)**	**-**	**(252 245 720)**	**651 705 095**

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Appendix B

Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	164 179 063	-	(1 876 630)	1 228 071	-	-	**163 530 504**	-	-	-	-	-	-	163 530 504
Landfill Sites (Separate for AFS pursoses)	2 203 351	814 704	-	-	-	-	**3 018 055**	(217 533)	-	-	(39 837)	-	**(257 370)**	2 760 685
Buildings (Separate for AFS purposes)	208 267 095	15 904 103	-	-	-	-	**224 171 198**	(61 529 018)	-	-	(12 125 005)	-	**(73 654 023)**	150 517 175
	374 649 509	**16 718 807**	**(1 876 630)**	**1 228 071**	-	-	**390 719 757**	**(61 746 551)**	-	-	**(12 164 842)**	-	**(73 911 393)**	**316 808 364**
Infrastructure														
Roads, Pavements & Bridges	250 765 480	7 981 039	-	-	-	-	**258 746 519**	(79 671 625)	-	-	(9 903 314)	-	**(89 574 939)**	169 171 580
Storm water	64 669 939	4 029 746	-	-	-	-	**68 699 685**	(11 970 757)	-	-	(2 398 083)	-	**(14 368 840)**	54 330 845
Transmission & Reticulation	73 264 928	-	-	-	-	-	**73 264 928**	(12 699 244)	-	-	(2 625 286)	-	**(15 324 530)**	57 940 398
Street lighting	-	164 986	-	-	-	-	**164 986**	-	-	-	-	-	-	164 986
	388 700 347	**12 175 771**	-	-	-	-	**400 876 118**	**(104 341 626)**	-	-	**(14 926 683)**	-	**(119 268 309)**	**281 607 809**
Community Assets														
Parks & gardens	1 318 606	-	-	-	-	-	**1 318 606**	(15 925)	-	-	(131 618)	-	**(147 543)**	1 171 063
Sportsfields and stadiums	10 603 690	-	-	-	-	-	**10 603 690**	(2 612 434)	-	-	(522 250)	-	**(3 134 684)**	7 469 006
Swimming pools	78 990	-	-	-	-	-	**78 990**	(7 498)	-	-	(7 914)	-	**(15 412)**	63 578
Cemeteries	859 603	9 739	-	-	-	-	**869 342**	(297 354)	-	-	(61 013)	-	**(358 367)**	510 975
	12 860 889	**9 739**	-	-	-	-	**12 870 628**	**(2 933 211)**	-	-	**(722 795)**	-	**(3 656 006)**	**9 214 622**

Umtshezi Local Municipality

Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	8 244 468	-	-	-	-	-	**8 244 468**	-	-	-	-	-	-	8 244 468
Other	295	-	-	-	-	-	**295**	-	-	-	-	-	-	295
	8 244 763	-	-	-	-	-	**8 244 763**	-	-	-	-	-	-	**8 244 763**
Specialised vehicles														
Refuse	2 865 802	-	-	-	-	-	**2 865 802**	(195 120)	-	-	(461 425)	-	**(656 545)**	2 209 257
Fire	1 096 663	-	-	-	-	-	**1 096 663**	(448 708)	-	-	(102 402)	-	**(551 110)**	545 553
Fire - leased	1 418 903	-	-	-	-	-	**1 418 903**	(698 388)	-	-	(142 182)	-	**(840 570)**	578 333
	5 381 368	-	-	-	-	-	**5 381 368**	**(1 342 216)**	-	-	**(706 009)**	-	**(2 048 225)**	**3 333 143**
Other assets														
General vehicles	10 381 005	649 040	-	-	-	-	**11 030 045**	(4 818 574)	-	-	(972 073)	-	**(5 790 647)**	5 239 398
Plant & equipment	5 297 906	84 596	(366 467)	-	-	-	**5 016 035**	(2 683 463)	244 334	-	(506 604)	-	**(2 945 733)**	2 070 302
Computer Equipment	5 577 492	103 381	(112 018)	-	-	**122 402**	**5 691 257**	(4 782 008)	68 829	-	(213 858)	-	**(4 927 037)**	764 220
Furniture & Fittings	3 482 389	42 326	(258 665)	-	-	**8 659**	**3 274 709**	(2 066 896)	158 564	-	(449 897)	-	**(2 358 229)**	916 480
Office Equipment	1 659 131	91 311	(123 544)	-	-	**10 787**	**1 637 685**	(814 299)	71 635	-	(166 479)	-	**(909 143)**	728 542
Security measures	118 867	-	-	-	-	-	**118 867**	(107 407)	-	-	(3 230)	-	**(110 637)**	8 230
Bins and Containers	750	-	-	-	-	-	**750**	(750)	-	-	-	-	**(750)**	-
Other	5 694	-	-	-	-	-	**5 694**	(3 982)	-	-	(573)	-	**(4 555)**	1 139
General vehicles - leased	2 035 435	-	-	-	-	-	**2 035 435**	(1 478 702)	-	-	(252 559)	-	**(1 731 261)**	304 174
Office equipment - leased	2 034 850	-	(135 346)	-	-	-	**1 899 504**	(1 342 348)	108 295	-	(371 782)	-	**(1 605 835)**	293 669
	30 593 519	**970 654**	**(996 040)**	-	-	**141 848**	**30 709 981**	**(18 098 429)**	**651 657**	-	**(2 937 055)**	-	**(20 383 827)**	**10 326 154**

Umtshezi Local Municipality

Appendix B

June 2014

Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	374 649 509	16 718 807	(1 876 630)	1 228 071	-	-	**390 719 757**	(61 746 551)	-	-	(12 164 842)	-	**(73 911 393)**	316 808 364
Infrastructure	388 700 347	12 175 771	-	-	-	-	**400 876 118**	(104 341 626)	-	-	(14 926 683)	-	**(119 268 309)**	281 607 809
Community Assets	12 860 889	9 739	-	-	-	-	**12 870 628**	(2 933 211)	-	-	(722 795)	-	**(3 656 006)**	9 214 622
Heritage assets	8 244 763	-	-	-	-	-	**8 244 763**	-	-	-	-	-	**-**	8 244 763
Specialised vehicles	5 381 368	-	-	-	-	-	**5 381 368**	(1 342 216)	-	-	(706 009)	-	**(2 048 225)**	3 333 143
Other assets	30 593 519	970 654	(996 040)	-	-	141 848	**30 709 981**	(18 098 429)	651 657	-	(2 937 055)	-	**(20 383 827)**	10 326 154
	820 430 395	**29 874 971**	**(2 872 670)**	**1 228 071**	**-**	**141 848**	**848 802 615**	**(188 462 033)**	**651 657**	**-**	**(31 457 384)**	**-**	**(219 267 760)**	**629 534 855**
Intangible assets														
Computers - software & programming	964 834	310 280	-	-	-	-	**1 275 114**	(779 059)	-	-	(57 621)	-	**(836 680)**	438 434
	964 834	**310 280**	**-**	**-**	**-**	**-**	**1 275 114**	**(779 059)**	**-**	**-**	**(57 621)**	**-**	**(836 680)**	**438 434**
Total														
Land and buildings	374 649 509	16 718 807	(1 876 630)	1 228 071	-	-	**390 719 757**	(61 746 551)	-	-	(12 164 842)	-	**(73 911 393)**	316 808 364
Infrastructure	388 700 347	12 175 771	-	-	-	-	**400 876 118**	(104 341 626)	-	-	(14 926 683)	-	**(119 268 309)**	281 607 809
Community Assets	12 860 889	9 739	-	-	-	-	**12 870 628**	(2 933 211)	-	-	(722 795)	-	**(3 656 006)**	9 214 622
Heritage assets	8 244 763	-	-	-	-	-	**8 244 763**	-	-	-	-	-	**-**	8 244 763
Specialised vehicles	5 381 368	-	-	-	-	-	**5 381 368**	(1 342 216)	-	-	(706 009)	-	**(2 048 225)**	3 333 143
Other assets	30 593 519	970 654	(996 040)	-	-	141 848	**30 709 981**	(18 098 429)	651 657	-	(2 937 055)	-	**(20 383 827)**	10 326 154
Intangible assets	964 834	310 280	-	-	-	-	**1 275 114**	(779 059)	-	-	(57 621)	-	**(836 680)**	438 434
	821 395 229	**30 185 251**	**(2 872 670)**	**1 228 071**	**-**	**141 848**	**850 077 729**	**(189 241 092)**	**651 657**	**-**	**(31 515 005)**	**-**	**(220 104 440)**	**629 973 289**

Umtshezi Local Municipality
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2014

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun		Yes/ No	
Municipal Infrastructure Grant	National Treasury	-	5 237 000	6 710 000	3 214 000	-	-	1 847 812	2 066 707	2 891 423	4 135 558	-	-	-	-	-		Yes	
Finance Management Grant	National Treasury	-	1 550 000	-	-	-	-	85 431	169 730	341 750	953 089	-	-	-	-	-		Yes	
Neighbourhood Development Grant	National Treasury	-	-	-	-	-	-	477 698	5 912 018	1 049 869	-	-	-	-	-	-		Yes	
Sport Infrastructure	KZN Dept of Sports and Recreation	-	-	525 000	-	525 000	-	-	72 296	703 531	690 557	-	-	-	-	-		Yes	
Integrated National Electrification Programme	National Dept of Energy	-	7 000 000	1 000 000	4 200 000	-	-	707 955	470 676	1 093 946	8 282 953	-	-	-	-	-		Yes	
Small Town Rehabilitation Grant	KZN COGTA	-	-	6 000 000	-	-	-	-	635 976	858 588	434 495	-	-	-	-	-		Yes	
Equitable Share	National Treasury	-	12 859 000	3 530 000	16 807 000	-	-	12 859 000	3 530 000	16 807 000	-	-	-	-	-	-		Yes	
Provincialisation of Libraries	Provincial Treasury	-	1 878 000	-	-	-	-	1 878 000	-	-	-	-	-	-	-	-		Yes	
Museum Grant	Provincial Treasury	-	286 000	-	-	282 000	-	286 000	-	-	282 000	-	-	-	-	-		Yes	
Municipal Systems Infrastructure Grant	National Treasury	-	890 000	-	-	-	-	443 446	436 956	4 597	2 550	-	-	-	-	-		Yes	
Expanded Public Works Programme	??????	-	400 000	300 000	300 000	-	-	-	264 050	292 378	443 572	-	-	-	-	-		Yes	
Caretaker Grant	??????	-	150 000	-	-	150 000	-	150 000	-	-	150 000	-	-	-	-	-		Yes	
Community Library Service	??????	-	240 000	-	-	-	-	240 000	-	-	-	-	-	-	-	-		Yes	
		-	30 490 000	18 065 000	24 521 000	957 000	-	18 975 342	13 558 409	24 043 082	15 374 774	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.